

WIPAC Parts for your car

OVERSEAS MOVING BY MICHAEL GERSON

WORLD NEWS

Hurd will not intervene on pub bombing

Home Secretary Douglas Hurd said yesterday he would not recommend the Royal Perogative of Mercy for the six Irishmen who lost their appeal on Thursday against convictions for the 1974 Birmingham pub bombings which killed 21 people.

NZ cabinet crisis

New Zealand Finance Minister Roger Douglas abandoned a European tour and flew home for an emergency cabinet meeting over Prime Minister David Lange's shelving of radical tax reform plans.

Setback for nuclear plan

A Munich court declared invalid West Germany's plan for a nuclear reprocessing plant in Bavaria because of inadequate safeguards against radiation dangers.

Currie private health care

Junior health minister Edwin Currie advocated a speedy tripling in the turnover of the private health sector to more than £2bn a year.

ILEA told to cut £58.5m

The Government told the Inner London Education Authority to cut its budget plans by £58.5m to £966m.

Hurdie for abortion bill

Liberal MP David Alton's abortion bill faces a further Commons hurdle. A procedural manoeuvre means the bill's opponents can use up its time on another bill.

Seamen feared drowned

Twelve seamen were missing, feared drowned, after the Cyprus-registered cargo ship Rolandia sank in a gale 820 miles south-west of Land's End.

Motorway pile-up

Eight people were injured, two seriously, in a pile-up on the M1 near Wakefield. Up to 30 vehicles were involved.

Cancer centre opens

Health minister Tony Newton opened at Margaret's Hospital, Epping, the first of a national network of 120 breast cancer screening centres.

Sunday racing bill fails

A bill to legalise commercial sports events on Sundays and to allow on and off-course betting at Sunday race meetings was talked out by MPs.

Docklands chief resigns

The chief executive of the London Docklands Development Corporation, Major General Jeremy Roughton, resigned suddenly for private reasons after only three weeks.

Murderer jailed

Kenneth Erskine, a 24-year-old drifter, was jailed for life at the Old Bailey for the murder of seven elderly people in South London in 1986. The judge recommended that he serve 40 years.

Three detained in Chile

Chilean Labour leader Manuel Bustos and two other opponents of President Augusto Pinochet were detained on Friday, witnesses said.

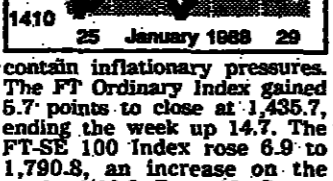
BUSINESS SUMMARY

Transport group plans flotation

NATIONAL Freight Consortium, the employee-owned transport and distribution group, could join the stock market this year following the board's decision to press ahead with plans for a flotation.

Equities rise in London

Equities rose in London but remained checked by a second warning from the Governor of the Bank of England that interest rates may have to rise to contain inflationary pressures.



The FT 100 index gained 5.7 points to close at 1,435.7, ending the week up 14.7. The FT-SE 100 index rose 6.9 to 1,790.5, an increase on the week of 19.9.

LI KASHING, chief of four leading Hong Kong companies announced two ambitious housing projects in the territory, worth a total of HK\$7.5bn (£558.7m).

ATLANTIC Richfield, US oil company, said it was committed to selling its 24 per cent stake in Britoil to British Petroleum.

TEXACO, US oil company, confirmed a £1.5bn bid to acquire a 49.9 per cent stake in a legal dispute with rival Pennzoil and to restructure its operations.

PIAT, largest Italian private sector company, announced a sharp rise in operating profit to £1.32bn (£1.5bn) from £1.245bn.

FRANK RENOUF and Company, leading New Zealand stockbroker, blamed the economic climate and the state of the stock market for its decision to cease trading.

JAPAN's current account surplus turned upward last month, reaching \$9.4bn (£5.2bn), hit by the delayed effects of currency exchange rate changes.

WEST GERMAN trade surplus reached a record DM13bn (£4.4bn) last month, giving a record last year of DM117.5bn, against DM112.6bn.

BAT INDUSTRIES, British-based tobacco multinational, is seeking a \$3.2bn (£1.2bn) Euro-markets loan to help finance its \$4bn hostile bid for US insurance company Farmers Group.

STANDARD Chartered, London-based international bank, is to strengthen its financial position through the sale of a US subsidiary for up to \$210m (£118m).

POLAND's economy grew by 2 per cent last year, down sharply on the 3 per cent target and on the 4.9 per cent achieved in 1986.

MARKETS: DOLLAR, LONDON, LONDON MONEY, NORTH SEA OIL, STOCK INDICES.

CONTENTS: The UK and Ireland: The agreement goes on trial... 6

Man in the News: Sir Robin Leigh-Pemberton... 6

Editorial comment: Mr Lawson's nightmare... 6

Appointments, Share Prices, Exchange Rates, etc.

Action by pit deputies threatens disruption of coal production

COAL PRODUCTION is threatened with widespread disruption because of an overtime ban this weekend and a 24-hour strike on Monday by Nacods, the pit deputies' union.

In a strong statement last night, British Coal accused the union of acting "with unseemly haste rarely matched in UK industrial relations". The statement said the timing of the strike "had some relationship" to a National Union of Mineworkers delegate conference which on Tuesday will consider stepping up the NUM's overtime ban.

"We can only conclude that the action taken indicates an unholy alliance between militants in Nacods and the NUM who are seeking to create disorder and mayhem in the industry," British Coal said.

Nacods' decision to hold the first national stoppage in its history follows a ballot this week in which 90 per cent favoured industrial action, excluding an indefinite strike, over a pay offer.

Pit deputies have statutory responsibility for colliery safety. Miners cannot go underground unless a qualified deputy or manager is present. The overtime ban is expected to delay maintenance work until Tuesday.

British Coal says it is offering either a 4.25 per cent increase in the weekly wage rate or re-introduction of incentive payments with enhanced hourly rates for weekend attendance.

Nacods claims the offer ties its 10,000 members to an extra two hours' overtime a week. It argues that such linkage could be used by the corporation to implement six-day working without national negotiations.

British Coal argues that by taking industrial action Nacods is blatantly in breach of conciliation procedures designed to prevent union members stopping work while a pay issue is being negotiated.

British Coal has adopted an all powerful, all mighty, take it or leave it attitude. Our members have said enough is enough," Mr Lane said.

Nacods' action after Monday is limited to mid-week overtime bans but officials warned that action could be stepped up if there was no agreement with British Coal.

The NUM's overtime ban over British Coal's revised disciplinary code does not affect safety and maintenance work so that full five-day working is virtually guaranteed.

The NUM will next week consider stepping up this overtime ban.

The NUM's action is potentially more disruptive because it involves Nottinghamshire and other pits organised by the Union of Democratic Mineworkers.

Nacods members last year agreed to forfeit bonus payments made to miners after an extra £10 a week was consolidated into their basic wage of over £240.

The deputies claim, however, that differentials between them and the miners have narrowed considerably because of increased productivity.

Mr Lane said that in the Midlands area bonus payments were giving miners up to 10 times more than was earned by pit supervisors on crucial weekend shifts.

De Benedetti considers Societe Generale deal

MR CARLO De Benedetti, the Italian industrialist, who last week launched a hostile bid to win control of Societe Generale de Belgique, Belgium's largest holding company, appeared last night to be ready for a possible compromise with Mr Andre Leysen, Cerus's chairman and Societe Generale's leading shareholder.

Hopes fade for agriculture deal at Euro summit

PROSPECTS for a compromise agreement on agricultural financing at next month's European Community summit in Brussels evaporated yesterday after Mrs Margaret Thatcher, the Prime Minister, and President Mitterrand of France failed to narrow their differences on the subject.

Mrs Thatcher said at a press conference after a short bilateral summit meeting in London with Mr Mitterrand and Mr Jacques Chirac, the French Prime Minister, that there were still "some very difficult problems" to be resolved before an agreement could be reached.

British officials were even more outspoken in describing the outlook as "very bleak". She stressed that she welcomed developments which would reinforce the European pillar of the Atlantic Alliance as long as they were "within the framework of Nato's enhanced Nato's efficiency".

Neither leader made any attempt to dramatise disagreement over community financing and farm policy reform, but each made it clear that there was little room for manoeuvre.

Mrs Thatcher again emphasised that she would not budge from her demand for "effective agricultural stabilisers which bring for marble and granite."

Once the granite arrives in Japan, however, it seems that you have to be Japanese to work on it. Even that would be fine - if only there were enough skilled Japanese stone masons.

As a result, Japanese contractors, much to their sorrow, are having to cut back on orders for marble and granite.

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WEEKEND FT

rial & Mining Dem...



FT PIONEERS

The FT is 100 next month. David Kynaston looks at memorable moments in the turbulent early days.

FINANCE: The pitfalls of investing in small companies.

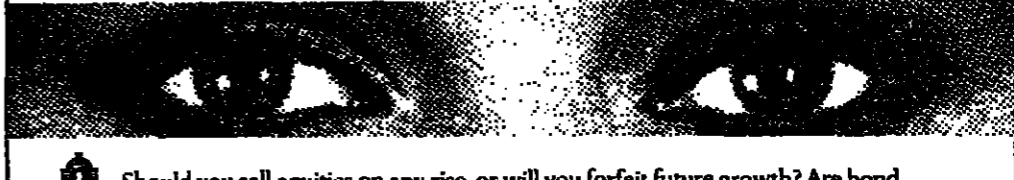
TRAVEL: Historic Genoa and snow fun in the US.

HOW TO SPEND IT: ...on gear to slope off in.

BOOKS: What makes Reagan run.

ARTS: A new Parsifal at the Royal Opera House.

"WHO CAN SEE INTO THE FUTURE?"



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OVERSEAS NEWS

TV anchorman who lost his grip lets Bush off the hook

TIGHTLY-WOUND and invariably intense, Mr Dan Rather is the most highly-paid, the most closely-watched and the most frequently-criticized TV news anchorman in America.

Lionel Barber profiles Dan Rather, America's most controversial television newsmen

prising that Americans tend to elevate their anchorman to a position somewhere close to God. At CBS, one of the nation's three networks, this is almost inevitable.

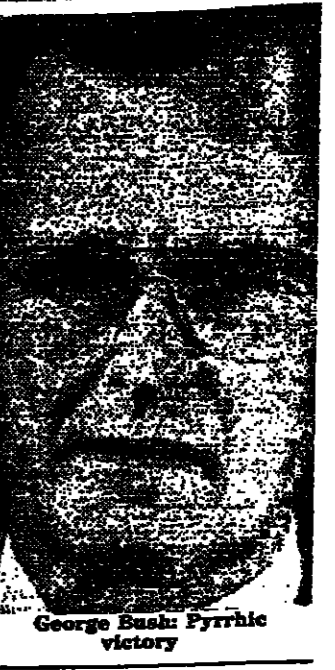
and presenter combined, they define the identity of the product. Dan Rather, to extend the metaphor, has always cast himself in big bold headlines.

moccasin, and offered him a job as network reporter. He held out for the position of network correspondent, and never looked back: the Kennedy assassination (when he scored a 17-minute lead over his competitors on the president's death).

spontaneous Mr Sam Donaldson whose taunts, barbs and talent in front of the camera have turned him into a millionaire too.

were sacked, despite his own public protest. Last year, Mr Rather admitted in a recent interview, he hit an all-time low: his newscast fell to third place, scored the lowest ratings ever, and he was heavily censured for walking off the air when he thought, mistakenly, that a Texas broadcast would cut into his news programme.

Bush drew first, and the resulting explosion made television history. Since television history often ends up on the cutting room floor, such claims may not amount to much. What is undoubted is that Mr Rather mishandled the interview.



George Bush: Pyrrhic victory

Cabinet crisis in Wellington over tax plan

BY DAI HAYWARD IN WELLINGTON AND ROBIN PAULEY IN LONDON

A SERIOUS political row has erupted in New Zealand over tax reform, with Mr Roger Douglas, the Finance Minister, abandoning a European tour yesterday to fly home for an emergency cabinet meeting, expected tomorrow.

tor which is already under some stress with a string of corporate receiverships, dramatic falls in the equity market and the currency regularly hitting new one-year lows.

Terrorism charge rejected by Bonn

By David Marsh in Bonn

THE West German Government has rejected complaints by the British Foreign Office, brought up during a trial in Düsseldorf linked to kidnappings in Lebanon, that Bonn has not respected EC guidelines in dealing with terrorism.

Madrid cautious about Eta offer

BY DAVID WHITE IN MADRID

THE SPANISH Government reacted cautiously yesterday to the first offer of a conditional truce by Eta, the Basque terrorist organisation.

Eta emphasized that the talks must have a "political content" and he insisted on reaching a "negotiated political solution for the Basque country. Madrid has always insisted that its "contacts" - not "negotiations" - with Eta representatives in Algeria were restricted to trying to end violence, and has ruled out discussion of political concessions with the terrorists.

ernment took the position that talks could not go on while white attacks continued. Mr Solana said that the talks should have to wait for "a reasonable time" to elapse in which there were no terrorist attacks before making further decisions.

try's ruling Socialist Party, described the move as a "confidence trick". The Eta communique, which was telephoned to the newspaper, made clear that the organisation still stood by its platform of political demands, which include recognition of national sovereignty in the Basque country. However, experts believe it may be ready to adopt a more flexible approach.

OECD set for lower steel output

STEEL production in the industrialised world recovered last year by 2.5 per cent, but is likely to fall by 2 per cent in 1987, according to the Organisation for Economic Co-operation and Development, writes Barbara Durr in London.

EC chief warns industry

BY WILLIAM DULLFORCE IN DAVOS

MR WILLY de Clercq, the European Commissioner for trade and external affairs, yesterday bluntly warned chief executives to start restructuring their companies right away in preparation for a European single market in 1992.

nessmen at their annual summit, the World Economic Forum in Davos.

'Four tigers' of Asia likely to lose their US trade privileges

BY LIONEL BARBER IN WASHINGTON

PRESIDENT Reagan is expected to withdraw special trade privileges enjoyed by Hong Kong, Singapore, South Korea and Taiwan which bulging trade surpluses with the US have frustrated his Administration.

said that the action - which puts the NICs on the same trade footing as Japan and West Germany - reflects their growing economic power. Last year, the NICs in Asia received benefits amounting to some \$5.3bn under the GSP system while their trade surplus with the US fuelled by double digit economic growth, soared to \$28.8bn in 1986 and \$28bn in the first eight months of 1987.

Treasury Secretary, had pushed the action in order to deflect Democrat charges in the coming election that the Republican administration has been soft on trade. Congressman Richard Gephardt, a Democrat presidential candidate, is moving up the polls on the back of anti-foreign protectionist trade policy.

However, an Administration official said the timing of the move was influenced only by a need to give due notice to importers and the NICs to allow them time to adjust. Ms Charlotte LeGates, a spokesman for the Computer and Business Equipment Manufacturers Association, said the GSP move would hurt efforts to persuade the NICs to respect intellectual property rights in the US.

Mexican loan bonds defended

By Alexander Nicol, Economics Editor

MEXICO'S director of public credit, Mr Angel Gurria, yesterday defended the bonds to be issued under the country's loan exchange offer should be valued significantly below their par value.

Contra talks go on

Nicaraguan Contra rebels and Sandinista government negotiators began a second day of talks yesterday but were expected to delay any ceasefire accord until a US Congress vote next week on new Contra aid, Reuters reports from San Jose.

Talks may bring warmer Turkish-Greek relations

BY JIM BODGENER AND ADRIANA IERODIACONU

WHEN Mr Turgut Ozal of Turkey and Mr Andreas Papanastasiou of Greece meet in Switzerland this weekend, it will be the first time in 10 years that prime ministers of the two Nato states have discussed anything more substantial than the weather.

tory move ahead of Davos, the authorities recently barred a cultural meeting in Istanbul of Turkish and Greek writers from northern Greece.

Heller defends Fed policy

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

MR ROBERT HELLER, a Governor of the Federal Reserve Board, defended the Fed's policy of raising interest rates to curb inflation, saying it was the only way to bring about a soft landing in the economy.

this week, in particular the decline in consumption and the build-up in inventories, as pointing towards a significant slowdown in the economy, perhaps even a recession, in the first half of this year. Other economists strongly dispute this.

Judging from their statements this week Fed officials are divided about whether the threat of recession is serious enough to trigger a Fed policy change. On past evidence, some Wall Street economists say, they would not expect any easing of monetary policy soon, in part because the economy is pushing strongly at a 4 per cent annual rate in the second half of last year. The evidence that a recession is imminent is still tenuous, they say.

An imponderable, however, is the extent to which the Fed board entirely composed of Governors appointed by Mr Reagan will be influenced by political considerations. Perhaps the strongest case for the Fed to wait until the economic outlook is clearer is the evidence that the financial markets are bringing down longer term interest rates themselves without, so far, any adverse reactions in the foreign exchange markets. Fed action to drive short rates down might have the perverse effect of weakening confidence in the bank's independence by pushing long rates up and creating instability in the foreign exchange markets, some economists warn.

German surplus up

West Germany recorded a DM 13bn (\$7.8bn) trade surplus last month, its biggest ever. This brought the surplus for the year to DM 117.5bn, writes Andrew Fisher in Frankfurt.

Human rights campaigner Felicia is in the frontline of the Arab-Jewish conflict, says Andrew Whitley

The tiny woman lawyer battling the Israeli goliath

THE OLD FRONTIER between the eastern and western halves of Jerusalem, swept aside by the victorious Israeli troops of 1967, lies immediately in front of a nondescript apartment block built to house penniless Jewish immigrants on Couroush Street. Underneath a first-floor window in that block, a single word has been scrawled in Arabic: Felicia.

can turn when the Shin Bet secret police come at night, who will do battle with the authorities to discover what happened to a missing relative or defend the most militant Fatah guerrilla facing deportation.

of Palestinian suffering. The problem for Mrs Langer and the few other Israeli lawyers who defend Palestinian human rights cases is that they are working in a confusing and at times contradictory maze of legal traditions. What they have in particular failed over the years to do is to secure a definitive ruling from the High Court in Jerusalem on whether the fourth Geneva Convention applies to the West Bank and Gaza Strip.

Indeed, the Gazans' case ought to have been strengthened by their statelessness. Lebanon is their likely next destination because the Gemaayal Government has no control over its border with Israel. But where under international customary law can they legitimately be sent when no other state claims their tiny, overcrowded scrap of land?

Whether Mr Harish chooses to adopt the submission seems, however, somehow beside the point. Mrs Langer is none too enamoured with the quality of Israeli justice these days when it comes to the occupied territories. She will at least have served her self-appointed role as the horsefly maddening the blinkered beast; "spilling their game," as she puts it.

new determination among Palestinians. "For the first time I feel I'm nearing the end of my work," she said, with a sigh of relief. "I feel such a liberated will on the part of the Palestinians to get what they want. Nothing under the sun can stop them now."

Whether or not she is proved correct, Mrs Langer believes that Mr Rabin himself has unwittingly contributed to the goal she and the handful of uphill battle to achieve. "The (soldiers') sticks have contributed a lot to Palestinian unity. From these sticks they'll get a Palestinian state," she prophesied.

PUBLIC NOTICE Major DISPOSAL AUCTION of several hundred exceptionally fine and medium quality, handmade PERSIAN CARPETS rugs and runners: and others from the more important weaving centres of the East. Included are many antiques, silks, helms, nomades and other unusual items, not generally to be found on the home market.

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OVERSEAS NEWS

UK NEWS

Japan surplus reverses trend of seven months

By Ian Rogge in Tokyo

JAPAN'S current account surplus turned upward in December, reversing the declining trend of the past seven months...

rather than declining significantly, as had been forecast early in the year. The trade surplus for the year also grew 1 per cent to a new record, \$98.5bn.

Yesterday that he expected the rate to continue to distort the trade figures for the next couple of months...

Tokyo cool on Reagan bonds

By Ian Rogge

THE Japanese Government did not plan for the time being to issue new bonds in foreign currencies...

Mr Miyazawa, speaking in the Japanese parliament, said the matter of issuing foreign currency bonds had to be decided by the US authorities themselves...

Mr Miyazawa added that US leaders apparently see no need to issue bonds in foreign currencies because the economy is strong...

Indonesia takes firm line for poll

By John Murray Brown in Jakarta

INDONESIA has issued a firm warning to would-be troublemakers in the run-up to presidential elections in March when President Suharto will stand uncontested for a second term...

Chun reveals the man behind the iron mask

By Maggie Ford in Seoul

PRESIDENT Chun Doo Hwan, the South Korean leader who is to step down next month after seven years in office, yesterday offered a glimpse of the man behind what many of his people feel to be an iron mask...

democratic development without imperilling national security or social and economic growth. "It would never do for national security or the economy to be destroyed in the name of democracy," he said.

Strauss given Pretoria letter on Mandela

By Anthony Robinson in Johannesburg

MR FRANZ-JOSEF Strauss, the Bavarian leader, yesterday ended his controversial 10-day tour of southern Africa after talks with politicians and businessmen in Windhoek, capital of Namibia...

UK yard loses navy order

By Chris Steggall

BRITAIN'S Vickers Shipbuilding and Engineering did not even bid for a contract for an A26 submarine contract which eventually went to a consortium led by Kockums of Sweden...

Commonwealth bid to refocus attention on South Africa

By Victor Mallet in Lusaka

EIGHT Commonwealth Foreign Ministers are gathering in Zambia this weekend in an effort to refocus the world's wavering attention on South Africa and the sanctions campaign...

ZAMBIA'S Finance Minister, Mr Gibson Chigaga, yesterday unveiled a mildly austere budget which is unlikely to satisfy the country's Western donors...

Australia on course for 6% inflation

By Chris Sherrill in Sydney

AUSTRALIA'S annual inflation rate is on course for a target of 6 per cent in the current financial year but remains significantly above the level of its trading partners.

Figures released yesterday showed a rate in calendar year 1987 of 7.1 per cent, down from almost 10 per cent the previous year and the lowest level since 1966.

Though it welcomed the announcement, it warned that there was a need for continued pay restraint. The opposition said the rate remained too high, a point echoed by economists.

The studies, to be conducted by the Industries Assistance Commission (IAC), will cover non-tax charges on industry by federal and state governments, trade in services and tourism.

UK yard loses navy order

By Chris Steggall

BRITAIN'S Vickers Shipbuilding and Engineering did not even bid for a contract for an A26 submarine contract which eventually went to a consortium led by Kockums of Sweden...

Rolls-Royce manager loses job

By Richard Tomkins, Midlands Correspondent

MR ROBIN BUSSELL, the senior Rolls-Royce manager who was suspended last week for making remarks about the future of the aero-engine maker's marine division, has lost his job...

Date set for Posgate fraud hearing

By Our Law Courts Correspondent

PROCEEDINGS for the commitment trial on fraud conspiracy charges of Mr Ian Posgate, an underwriting member of Lloyd's, the London insurance market, and four other men will begin at Guildhall magistrates court on June 6.

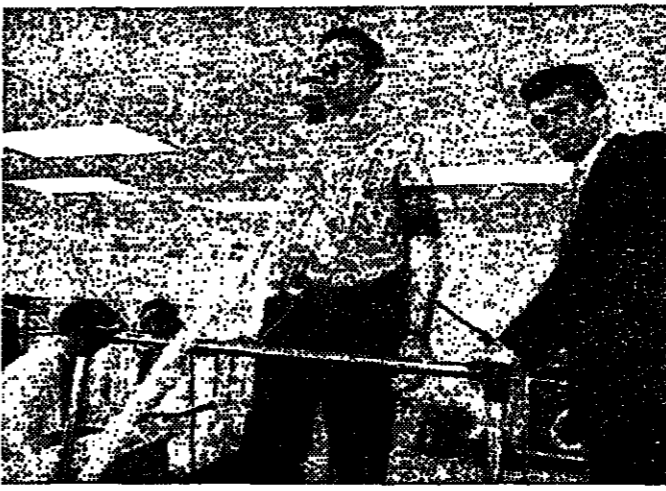
BBC yields radio waves

By Raymond Snoddy

THE THREE new national commercial radio stations planned by the Government are likely to get only one VHF channel between them, two having to make do with medium wave.

Peter Marsh reports on the vogue for exercise monitoring Treading a path to better health

MANAGERS in an increasing number of companies are swapping the work treadmill for a real treadmill at least for an hour or so each day.



Bruce Davies and client at a Cheakire Fitness Centre

Exercise monitoring, as this form of health screening is called, has become increasingly popular in Britain in recent years. Several companies now offer the service.

The clear medical leader is the American Medical International, the US-owned hospital group. It runs 13 clinics in Britain, all but one of them set up in the past two years.

Advocates of the procedure retort that a certain number of false positives are to be expected in any analytical method.

He stresses that people coming to his clinics are not told that the only way to become healthier is to become diet and fitness fanatics.

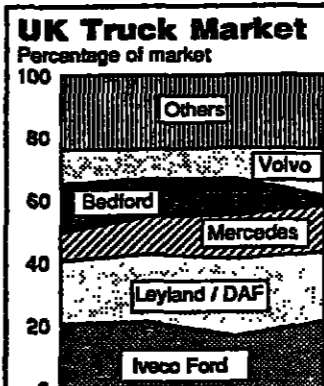
AMI has signed agreements with several big companies, including British Nuclear Fuels, the British subsidiary of Kellogg, the US cereal manufacturer, and the Co-operative Wholesale Society.

Truck outlets 'reduced by half'

By John Griffiths

ONLY HALF of the 1,188 franchised outlets for trucks in the UK in 1981 survived to the end of last year, according to statistics quoted by Iveco Ford, the UK's market-leading truck maker.

Table with 3 columns: Manufacturer, 1987, 1988. Rows include Iveco Ford, Leyland DAF, Renault, etc.



Mr David Gill, Iveco Ford's marketing director, drew on a variety of reasons to explain the 577 remaining dealers, spread across all makes, were still not earning enough for long-term viability, the company said.

expanding production of Cargo trucks at its plant in Langley, Berkshire, this year. Output from the plant has been increased to an output of 76 trucks a day, almost double the level at the time of the merger between Ford's truck operations and Fiat's commercial vehicles subsidiary in mid-1986.

Removal costs tax deductible

By Raymond Hughes, Law Courts Correspondent

CONTRIBUTIONS made by Arthur Young, the City chartered accountancy company towards the home removal expenses of two of its partners were tax deductible, the Court of Appeal ruled yesterday.

The appeal judges allowed Arthur Young's appeal against a High Court judgment in favour of the Inland Revenue, which had argued that the contributions were partly for the two partners' personal benefit.

Commonwealth bid to refocus attention on South Africa

By Victor Mallet in Lusaka

EIGHT Commonwealth Foreign Ministers are gathering in Zambia this weekend in an effort to refocus the world's wavering attention on South Africa and the sanctions campaign...

Advertisement for GLENFRIARS UNIT TRUST MANAGERS LIMITED, detailing investment opportunities and fund performance.

UK NEWS

Bank says interest rate rise is being considered

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR Robin Leigh-Pemberton, Governor of the Bank of England, yesterday confirmed that the authorities were considering raising interest rates in the wake of evidence of continuing buoyant demand in the economy and of a widening trade gap.



Robin Leigh-Pemberton: pressures on prices

In a separate speech yesterday, Mr Leigh-Pemberton sought to play down the economic significance of the recent rapid acceleration in credit growth but acknowledged that it had worrying social implications.

Speaking on independent television the day after his reappointment for a second five-year term, Mr Leigh-Pemberton said a number of recent economic indicators had suggested a possible resurgence of inflationary pressures.

The view in the Treasury is also that present signals are "difficult to read". The trade and money supply figures suggest continuing buoyant growth but there have been signs of a slowing in consumer spending and weakening industrial confidence.

The Bank was monitoring closely the possibility that the credit boom could feed into higher inflation. It also recognised, however, that much of the build-up represented structural shifts in the financial system which had no particular implication for the pace of price rises.

Papers end distribution deals

BY RAYMOND SNOODY

ASSOCIATED NEWSPAPERS, publisher of the Daily Mail and the Mail on Sunday, has today terminated its distribution contracts with the newspaper companies.

As a result, the Daily Mail and the Mail on Sunday could be about to move to a virtually all-road distribution system with the exception of long rail journeys to north-east and north-west England.

Mr Malcolm Field, managing director of the Smith, would only say last night: "We expect to gain more business from this development."

GEC-Plessey link approved

BY DAVID THOMAS

LORD YOUNG, the Trade and Industry Secretary, has given General Electric Company and Plessey, Britain's two largest telecommunications equipment manufacturers, the go-ahead to merge their telecommunications interests.

US health company expands in Plymouth

BY ANTHONY MORETON

BECTION DICKINSON, the US manufacturer of healthcare products, is to spend \$10m on two developments in Plymouth, Devon.

software concern, chose Plymouth for its European base. The two new developments will be built alongside Bection's current plant in Plymouth.

Docklands corporation loses chief executive

By Paul Chesworth, Property Correspondent

A SENIOR management crisis struck the London Docklands Development Corporation yesterday, when its chief executive, Mr Douglas Thurly, resigned.

Mr Thurly, who had held the post for only three weeks, resigned for private reasons. His departure coincided with the move to Peat Marwick McLintock of Mr Eddie Oliver, deputy chief executive, who is to be replaced immediately by Mr Eugene Bannon, finance director.

Hurd rules out pardon for Birmingham pub bombing six

BY PETER RIDDELL AND TOM LYNCH

THE EXERCISE of the royal prerogative of mercy will not be recommended for the six Irishmen whose convictions for the murder of 21 people in the Birmingham public house bombings in 1974 were upheld by the Court of Appeal on Thursday.

Northern Ireland, I believe that the House of Lords must hear the appeal which will be lodged on behalf of these men so that there is a final opportunity to resolve the doubts that still linger in this case.

Mr David Alton, Liberal Northern Ireland spokesman, said he was very disappointed with the outcome of the appeal. The continuing and lingering doubts about the safety of the original verdict will cause a crisis in confidence in our judicial system among many.

MacLennan confident of merger

BY PETER RIDDELL, POLITICAL EDITOR

MR ROBERT MACLENNAN, leader of the Social Democratic Party, last night predicted an "unstoppable and decisive" vote in favour of merger with the Liberals at this weekend's meeting of the party's ruling Council for Social Democracy in Sheffield.

between the pro-merger majority and Dr Owen's Campaign for Social Democracy - with conflicting claims about numbers of supporters. Speaking in New York yesterday, before returning to the UK for the conference, Dr Owen warned of Soviet pressures to denunciate Europe and said the US administration should positively and openly encourage Anglo-French nuclear co-operation.

continuing SDP. He said: "This excellent result shows people are still willing to vote for a strong self-confident SDP."

Labour rejects poll tax boycott

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

MR NEIL KINNOCK, the Labour Party leader, yesterday firmly ruled out any question of Labour campaigning for non-payment of the community charge or poll tax, which comes into operation in Scotland next year.

He told the conference that the Government was praying for the Opposition to launch a campaign in favour of breaking the law because it would divert attention from the "deliberate injustice" of the poll tax.

porters, not least in the House of Lords. The local government finance bill, which includes the introduction of the poll tax for England and Wales, is going through the House of Commons.

Sunday racing bill brought down at the first hurdle

BY TOM LYNCH

A BILL to legalise commercial sports events on Sundays and allow on-course and off-course betting on Sunday races was brought down by MPs in the Commons yesterday.

Only 35 minutes were left for Mr Mackintosh to bring down his bill and fierce opposition from Labour and backbenchers of both main parties ensured that the debate was adjourned until a later date - effectively consigning it to parliamentary oblivion because of lack of time.

at the "procedural monkey business" which had ensured his bill's defeat. He said a number of major sporting events took place on Sundays and were technically in breach of a 1780 act because they charged admission.

| High | Low | Company                         | Price | Cons | Yield |
|------|-----|---------------------------------|-------|------|-------|
| 206  | 133 | Am. Brt. Ind. Ordinary          | 186   | 0    | 6.9   |
| 207  | 145 | Am. Brt. Ind. CULS              | 188   | 0    | 10.0  |
| 41   | 25  | Armitage and Rhodes             | 26    | 0    | 2.1   |
| 142  | 40  | B&S Design Group (USA)          | 45    | 0    | 2.7   |
| 188  | 108 | Sardon Corp                     | 155   | 0    | 2.7   |
| 106  | 95  | Bry Telematics                  | 144   | +1   | 4.7   |
| 281  | 130 | CCZ Group Ordinary              | 288   | +1   | 11.5  |
| 171  | 97  | CCZ Group 10% Pref              | 128   | 0    | 11.1  |
| 171  | 130 | Carborundum Ordinary            | 131   | +1   | 5.4   |
| 104  | 97  | Carborundum 7.5% Pref           | 101   | 0    | 10.7  |
| 180  | 97  | George Blair                    | 171   | +1   | 3.7   |
| 143  | 88  | Gen Gen                         | 88    | 0    | 4.0   |
| 104  | 59  | Jackson Group                   | 92    | 0    | 3.4   |
| 780  | 300 | Mallhouse HV (AmSSE)            | 335   | 0    | 7.5   |
| 38   | 35  | Record Holdings ISB             | 39    | +2   | 2.7   |
| 115  | 85  | Record Holdings 10% Pref (SE)   | 112   | 0    | 14.1  |
| 91   | 50  | Robert Jenkins                  | 50    | 0    | 0     |
| 124  | 30  | Servis                          | 124   | 0    | 5.5   |
| 224  | 47  | Twydy & Partners                | 49    | 0    | 3.4   |
| 71   | 32  | Warwick Holdings (USA)          | 37    | 0    | 2.7   |
| 131  | 41  | Wallack Holdings (SE)           | 60    | 0    | 2.8   |
| 204  | 115 | Walker Alexander                | 156   | 0    | 5.9   |
| 228  | 209 | W.S. Yeates                     | 225   | +1   | 17.4  |
| 170  | 67  | West Yorkshire Ind. Insp. (USA) | 150   | -1   | 5.5   |

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Shareholders in stores barred from jury

By Ralph Atkins

SHAREHOLDERS in Woolworth Holdings and Dixons, the retailers, were barred from the jury in a case at Luton Crown Court yesterday.

Britoil chief to join Ansbacher

By Richard Evans

SIR PHILIP Shelbourne, chairman of Britoil until the end of April, is to become chairman of Henry Ansbacher Holdings, the merchant bank, from June 1 this year.

Crossing the Rubicon towards the banks

Building societies are weighing the pros and cons of changing their status, writes David Barchard

BUILDING SOCIETIES are on the verge of decisions which could permanently change their status. At issue is the question of whether at least some of them will end their mutual status and become public companies.

mean saying goodbye to the non-profit ethos of the building society world with its roots in the 19th century. The risks as well as the opportunities of commercial competition in the banking markets would have to be taken.

money, a process which has already transformed the high street operations of branches of the larger building societies. Investment in non-traditional activities to attract customers, such as automatic teller machines and computerised services, have increased the need for funds and raised the return on assets required to operate profitably.

plunge and went public. "The signals for plc conversion are categorically not coming from our customers," says Mr Tim Melville-Ross, the chairman of Nationwide Anglia.

Abbey National might find it easier to gain the necessary approval than those with their roots among canny northern savers. In the end, societies will have to make a choice about their own identity and not just about how they gain access to new sources of funds. Smaller societies may find that the expected relaxation of Schedule 8 will let them off the hook.

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Tim Melville-Ross: no plc signals from customers

UK NEWS - EMPLOYMENT

Television studio staff act to alter work practice

By John Gapper, Labour Staff

AN IMPORTANT initiative to try to bring about peaceful changes in working practices within independent television has been made by Beta, the clerical and studio staff union...

Industrial action at Daily Telegraph

By John Gapper

ONE OF THE first outbreaks of industrial action among print workers as a national newspaper since widespread changes to staffing agreements...

'Flexible firm' idea criticised

By David Brindle, Labour Correspondent

AN OUTSPOKEN critique of the "flexible firm" concept, claiming it rests on "an uncertain basis of confused assumptions and unsatisfactory evidence..."

Authorities warn over pay for teachers

By Our Labour Correspondent

LOCAL AUTHORITY leaders have told the Government it must change its plan for future determination of teachers' pay...

Dispute at Cammell Laird over passes

By Ian Hamilton Fozzy, Northern Correspondent

A DISPUTE over the use of combined clock-in and identity cards has halted work at the Cammell Laird shipyard at Birkenhead...

Nupe issues guidelines over action in hospitals

By Our Labour Correspondent

THE National Union of Public Employees acted yesterday to distance itself from any disruptive action in hospitals next week...

"charter" setting out key demands including: adequate funding for patient care, increased staffing levels and pay awards...

Approaching with caution

Kevin Done and John Gapper on the implication of a Ford strike

IF LAST-DITCH talks on Sunday fail and production at Ford's plants in the UK is halted, it would only be a matter of days before the impact would start to be felt throughout the whole Ford organisation in Europe...

The UK is also Ford's single most important market in Europe with car sales last year totalling about 680,000. This compares with sales in West Germany of some 902,000...

APPOINTMENTS

Chairman at C.T. Bowring

Mr Philip Wroughton, deputy chairman of C.T. BOWRING & CO. will be appointed chairman and chief executive at the end of March following the retirement of Mr Gill Cooke...

Lord Havers, formerly Lord Chancellor, has been appointed chairman of the LAW STATIONERY SOCIETY. He succeeds Lord Silkin who will become life president.

Financial Times advertisement for SELF-EMPLOYED PENSIONS 1987-88 and EXECUTIVE PENSIONS 1987-88. Includes details about pension schemes, expert advice, and contact information for ordering.

Financial Times advertisement for Financial Adviser on Black Monday. Includes a cartoon illustration of a man looking at a clock, and a list of services offered by the Financial Adviser.

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Saturday January 30 1988

Mr Lawson's nightmare

NIGHTMARES are the unavoidable fate of Chancellors of the Exchequer. Inundated though he is by praise for the British economic miracle and even acting from time to time as though he believed it, Mr Lawson cannot escape all the drawbacks of the job. For any British Chancellor a nightmare would include a deteriorating balance of payments, an overvalued real exchange rate, declining economic growth, soaring money supply and - last but not least - pressure for higher pay in key parts of the public sector and in that bellwether of private industry, the manufacture of motor vehicles. Nothing like that could possibly happen in the UK economy, could it?

Unfortunately, it could and it is, with the really difficult problems arising for monetary and exchange rate policy. The normal response to fast monetary growth - higher rates of interest - would have effects on the exchange rate that, however excellent as a specific for domestic overheating, have the side-effect of exacerbating the deterioration in the current account. How then is one to judge the most important news on the UK economy of the week that on the current account for December and, indeed, for 1987 as a whole? In December the current account deficit is estimated at \$582m, close to the deficit estimated for November of \$595m.

**Projected deficit**  
 Looked at quarter by quarter the current account has moved from a surplus of \$572m in the first three months of 1987, to deficits of \$659m, \$1,146m, and an estimate of \$1,459m in the succeeding quarters. The deficit for 1987 as a whole was some \$2.7bn, compared with one of just under \$1bn in the previous year.

At the time of his Autumn statement of last November the Chancellor projected the deficit for 1987 at \$2.2bn, a modest underestimate for the year. The forecast for 1988, which would imply a major improvement on the performance shown in the last quarter of 1987. In fact, if the rate for the fourth quarter were to continue, the deficit in 1988 would be about \$6bn; if the trend were to continue, the deficit would be higher still.

The evidence of a deterioration in the external accounts is disturbing, especially for someone with a long memory. Two issues arise: first, how likely is it that the size of the deficit is over-stated and how dangerous is it, in any case? The global "black hole" on invisible transactions - the extent to which the world's deficits and surpluses do not balance - is running at some \$60bn. Meanwhile, the UK has its own discrepancy, the balance of payments balancing item, which was as large as \$12bn in 1986. The likelihood is that the UK current account is better than shown in the official statistics, perhaps by as much as \$5bn but probably by less.

Misleading question

While the position may be better than appears, the trend is towards deterioration. Furthermore, the foreign exchange market is moved by what it sees, not by the truth (whatever that may be). How is the foreign exchange market likely to respond?

The UK is the world's second largest creditor, after Japan, with net external assets at the end of 1986 of \$162bn. How could a deficit of a few billion pounds a year create difficulties? This is a misleading question since those assets almost certainly do not belong to the UK residents who might wish to borrow, the issue being their creditworthiness.

The major worry for lenders is probably the exchange risk, which is why a currency crisis is self-feeding. The UK can, therefore, probably survive a deteriorating external position, provided the Government's commitment to the exchange rate remains unquestioned. Thus, if sterling were to weaken the Government would promptly raise interest rates to stabilise the currency.

The arguments against such a policy would be domestic ones. A deteriorating external position is not very helpful for economic growth. If one were unconcerned about inflationary pressure in the economy, therefore, depreciation within the DM2.80 to 3.00 band might be appropriate.

It is here that the Chancellor returns to his nightmare. Given the continued pace of monetary growth and earnings, he cannot risk a significant depreciation and has to hope that the resulting external deficit can be financed without great difficulty. Prudence as well as luck will be needed if he is not to find his nightmares of today turned into an all too familiar British reality.

Kieran Cooke, in Dublin, looks behind this week's outburst of Irish anger against British justice

The agreement goes on trial

BACK in the late 1960s, it is said, Mr Harold Wilson, then the British Prime Minister, and his Irish counterpart, Mr Jack Lynch, were involved in a somewhat barbed exchange. "The trouble with you Irish," said Mr Wilson, "is that you never forget." "The trouble with you British," said Mr Lynch, "is that you never remember."

The Irish have always felt the British do not understand, or do not want to understand. That feeling has been strengthened by the events of the past week, events which have sent shock waves bounding across the Irish Sea. Shock number one for the Irish came on Monday when Sir Patrick Mayhew, the British Attorney General, he told the House of Commons that it had been decided not to instigate any prosecutions following an inquiry into an alleged "shoot-to-kill" policy by the Royal Ulster Constabulary in County Armagh, Northern Ireland, in 1982, despite evidence that some officers had sought to pervert the course of justice. Sir Patrick said prosecutions were not in the public interest because of national security considerations affecting "the safety of people's lives".

Shock number two came on Thursday afternoon, when, as

"Once again the old distrusts between the Irish and British have arisen"

Mr Charles Haughey, the Irish Prime Minister, was telling the Dublin Parliament of his dismay at Sir Patrick's announcement, news came through from London that the appeal of six Irishmen against their conviction for the murder of 21 people in the 1974 Birmingham pub bombings had been dismissed. The appeal was the culmination of a long campaign, very widely supported by Irish Catholics, protesting the innocence of the six men.

The RUC case and the Birmingham Six verdict are entirely separate, yet in Dublin they are inexorably linked by the perception, correct or not, that when it comes to the Irish, there are different rules of British justice. It is this perception which has far reaching implications for the future of Northern Ireland and for relations between Dublin and London.

More particularly, it sets the severest test yet for the 1985 Anglo-Irish agreement. At the core of the accord was the commitment to foster greater confidence among the minority Catholic community in Northern Ireland in the security forces and the administration of justice. Specifically, Article 7 of the agreement emphasises the need for "special measures" to



improve relations between the security forces and the Nationalist community. Article 8 says: "The two governments agree on the importance of public confidence in the administration of justice." The intention was that by tackling these issues, support for the IRA, which feeds on Nationalist alienation from British institutions, would diminish.

This week, Irish backers of the agreement have been dismayed. A government spokesman said the accord had been breached. "Once again, the old distrusts between the Irish and the British have arisen," said Mr John Hume, leader of the mainly Catholic Social Democratic and Labour Party, the main supporter of the accord in Northern Ireland. "They should have been buried a long, long time ago."

The British government's position on the Birmingham Six is that it had already taken a significant step when Mr Douglas Hurd, the Home Secretary, agreed to refer the case for appeal to the High Court. After that it was entirely a matter for the judges. The government would be hostile to any suggestion from Dublin that political pressure should be exerted in the case.

The RUC case has more immediate bearing on the Anglo-Irish accord, however. This was reflected in the swift agreement by the British side to an Irish request for a special meeting next Tuesday of the Anglo-Irish conference, the working body set up under the agreement, to discuss the issue.

criticism at one stage for urging members of the Nationalist community in the North to join the RUC. Significantly, he now says he must reconsider his advice. "I've been made to look a fool," he says.

The IRA has had some considerable setbacks recently. Eight of their members were killed in a single clash with the security forces at Loughall, County Armagh, last May. A massive arms cache destined for the IRA was captured last October, though other big arms shipments are believed to have reached Ireland. Then there was the horror of the Enniskillen bombing in November, which put the IRA very much on the defensive. It is felt by many in Dublin that the British government has now given the IRA a propaganda lift. Only weeks ago the head of Sinn Fein, Mr Gerry Adams, was making an "apology" for the IRA bombing at Enniskillen. This week he was quick to condemn what he called the contemptuous attitude of the British government. "Nationalists can now see that British law cannot protect them," said Mr Adams.

Ireland has always felt it has a responsibility towards the interests of the Nationalist minority in the North. It sees this as being sanctioned under the terms of the Anglo-Irish agreement. Dublin has strongly criticised many aspects of the judicial system in the North, including the continuation of the one judge, non-jury "Diplock" courts system. There is a strong feeling that northern justice is still dominated by the Unionist community; the majority of judges in the north are from Protestant, Unionist backgrounds.

But since 1985 there have been advances: the much despised "supergrass" system - where informants were used to secure mass convictions - has ended. Against considerable opposition, not least from within his own party, Mr Haughey has successfully piloted a new Extradition Act through the Irish parliament designed to improve procedures for extraditing IRA suspects from the Republic to Britain. There has been a substantial increase in the amount of cross-border security cooperation, an issue of the highest priority for the British throughout the Anglo-Irish process. But that might now change. "It is very difficult to rally public support for security cooperation in the present circumstances," a government spokesman said.

At Tuesday's special conference meeting, Dublin will want to hear exactly what has governed London's recent decision making. It will also be making its case about what it sees as the increasingly arbitrary administration of British justice. "Matters cannot be left as they are," says Mr Haughey.

MR Robin Leigh-Pemberton, Governor of the Bank of England, sat at his capacious desk in the City yesterday, surrounded by newspaper clippings commenting on the news of his reappointment for another five years.

They were not universally flattering. All of them harked back to the biggest embarrassment of his first term: the Johnson Matthey Bankers crisis of 1984 and the rift which that caused between the Bank and the Treasury.

Many of them pointed out that Mr Leigh-Pemberton seemed to be more of a figurehead Governor and so less of a force than his hands-on predecessors. Virtually all the commentators stalked the Bank's "declining role" - a polite way of saying that it is not the place it used to be.

Mr Leigh-Pemberton, who is 61, is vulnerable to this sort of comment: he came to the job with little banking experience, and his manner has as much of the country gentleman about it (he is Lord Lieutenant of Kent) as it has of City polish.

But he is determined to be neither irked nor depressed by the articles, particularly the more personal ones. In his first term, he explains, he acquired a form of reaction to this, "a thick skin if you like, but not too thick. I learnt that the job calls for a degree of courage and faith."

But he is stirred by suggestions that Britain's most eminent financial institution - now nearly 300 years old - is losing its influence in Whitehall and the City. "The role of the Bank is changing," he says, "but I do not accept that it is declining."

He particularly resents the idea that the Bank has yielded up its traditional area of competence - monetary policy - to a strong-willed Chancellor.

Man in the News

Robin Leigh-Pemberton

Getting up steam for a second turn at the helm

By David Lascelles



"It is a myth to imagine that there was a golden era when the bank operated monetary policy all by itself," he says, proceeding to cite an incident in 1917 when the Governor, Lord Cunliffe, had to make a grovelling apology to Lloyd George for selling some of the country's gold without the Treasury's permission. Even before it was nationalised in 1946, the Bank had to answer to the Treasury. As for the proposition that the Bank now merely takes orders from the Treasury, Mr Leigh-Pemberton points out that the 1946 Bank of England Act gives the Treasury power to give directions to the Bank, but only after consulting the Governor. "This power has

never been invoked," says Mr Leigh-Pemberton firmly.

"We still have a role in monetary policy in advising the Treasury of the likely reaction to such and such a move. And I can recall several episodes where certain proposals appeared on the Treasury's agenda and disappeared after we had been consulted and pointed out the difficulties."

What has changed, though, is that the Treasury is now much better informed about what goes on in the City, partly because it can watch the market through its own computer screens. So the Bank no longer has a monopoly on market intelligence.

But the Bank's wide powers have also made it answerable for many of the City's recent lapses into scandal and crime, particularly to a public resentful of its sky-high salaries. The Governor blames them on the huge competitive pressures which have built up in the City with the arrival of dozens of foreign banks and investment houses in the last few years.

One merchant bank chairman told Mr Leigh-Pemberton that his young recruits complained that they would lose market share unless they were able to cut corners. "Every chairman has got to resolve these sorts of difficulties," the Governor says.

So, what is the answer? "Some people have been calling for more convictions in the courts. This may happen, but it is not essential. What is salutary is to observe how many prominent people in the City have lost their jobs, and how quickly this happened. I should be surprised if this lesson has not been learned. An unhealthy atmosphere was built up by the league tables and the personality cults. They can now see where all that ends up."

Mr Leigh-Pemberton says that the completion of a strong system of investor protection is one of the main objectives of his second term. He also wants to extend this beyond the UK to the global markets through an alliance with financial regulators in other countries. He is worried about the cost to practitioners of tight regulation, but considers it essential to preserve confidence in the markets and London's name as a place to do business.

"There is a lot of work still to be done," he says. "I just hope my steampower does not flag. I'm sure my staff will warn me if it does."

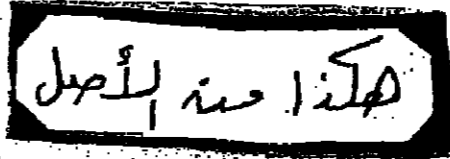
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GLOBAL efforts to slow down the spread of AIDS took a step forward this week...

Peter Marsh and Jimmy Burns report on this week's London conference which discussed ways of combating AIDS

The era of compulsion

Discussions at a world AIDS summit in London produced some remarkable frankness...

at which AIDS could spread from the homosexual to the heterosexual community in the developed nations...

Other problems, which are likely to be even harder to resolve, concern political and cultural differences between individual countries attempting to fight AIDS...

sexual terms. "In my country it is not traditional to talk about homosexuals," he said...

prostitution punishable by lengthy "labour re-education" in special camps...

too late. Japan is still the only major industrialised nation to have saved itself from a major AIDS outbreak...

measures. "So much of what your correspondents write is a distortion. They should speak directly to ministers to hear the truth..."

AIDS CASES: Top ten countries Cumulative. US 49743, France 2523, Uganda 2369, Brazil 2325, Tanzania 1688, W.Germany 1588, Canada 1423, UK 1170, Italy 1104, Kenya 864.

Added to this underlying note of compassion was the view which appeared to be shared by most nations that discriminatory measures such as mandatory testing of AIDS suspects...

FOR Andrew Phillips, a 34-year-old international equities salesman with Shearson Lehman Brothers...

Stephen Fidler looks at the effect of the October stock market crash on jobs in the City

A not-so-golden goodbye

Such lightning dismissals have become commonplace in a City chastened by the developments of the last six months...

called the first signs of trouble early last year, as interest rates started to ratchet up in the main industrial countries...

said, the City makes up a more important part of the UK economy now than it did then. Mr Phillips, who has now left the City, feels that working at Shearson equipped him to run his own management consulting business...

speaker system. But at L.F. Rothschild, the New York firm, which this month announced it would cut its London operation back from 80 people to 10...

there is often great distress. "There was, if not weeping, a high degree of emotion at the meeting. One or two people were very upset," said Mr Phillips...

more. Many City houses have frozen staffing levels, but those still hiring have lowered salaries for new staff. They are offering anything between 10 and 50 per cent below what they were giving about 18 months ago...

Children have a raw deal

From Mr Alan Mackie. Sir, Your leader ("The Taxation of Marriage," January 19) missed an important social dimension to the question of personal allowances for married couples...

Electricity on wholesale

From Mr David Starbuck. Sir, Max Wilkinson suggests (January 21) that if a private electricity industry was able to pass extra fuel costs on to the consumer...

The pain could be doubled

From Mr J.A. Leak. Sir, Mr Bailey's letter ("Window tax," January 23) is not the open and shut case it would have us believe...

Trees should be inspected regularly

From Mr D.B. Crawford. Sir, Your "Briefcase" column of January 16 indicated that damage from a fallen tree has no remedy against the neighbour whose tree caused the damage...

We still have difficulty with one economic phenomenon - the stock exchange

From Mr David Demant. Sir, A few points might be added to the comments on the efficient market theory set out by Barry Riley on Saturday, January 23...

crash had some basis, the economic consequences could be very unfortunate indeed. A general theory is supposed to have happened in 1929 and the early 1980s is of the nature of folklore...

demonstrated by reference to the stock market, where the profits (or losses) to investors arise from a separable source: the performance of the productive economy in producing goods and services...

wretched poverty. My conclusion is that capitalism and communism are both failed systems. We need a new economic system, more responsive to human needs, providing a healthy environment and a more healthy way of life...

But they didn't; it wasn't; and I survived the crash on modest quantities of claret. John Somers, Quarry Down Farm, Cholderton, Salisbury, Wiltshire

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BUILDING SOCIETY INVESTMENT TERMS. Table with columns: Product, Applied rate, Net CAR, Interest, and others. Lists various investment options from different building societies.

UK COMPANY NEWS

CONTINUING DISPOSALS PROGRAMME TO STRENGTHEN FINANCIAL POSITION

StanChart £110m US bank sale

BY RICHARD WATERS

Standard Chartered, the London-based international bank, is to raise between \$200m and \$210m (around £110m) from the sale of a US subsidiary, marking the continuation of a series of sales designed to strengthen its financial position.

The sale was seen by observers yesterday as a prelude to the sale of Union Bancorp, Standard's Californian subsidiary, of which United was a part. Market estimates value Union at between \$600m and \$700m.

The sale of United will improve Standard's capital ratio by 0.2 per cent, Mr Richard Stein, finance director, said yesterday. Given Standard's 3 per cent capital ratio at the last half year, this leaves it well short of the 4.5-5.5 per cent range of the major UK clearing banks.

Standard is now in discussion with a number of other banks about the sale of Union, said Mr Stein. The United sale "makes it easier to deal with Union... There are a number of technical issues to do with unscrambling the whole," he said.

Static first half for Hill Samuel

By David Sarchard

Hill Samuel Group, merchant bank, made after-tax profits of £18.45m for the six months to September 30 1987 slightly down on £19.5m in the same period the previous year. The pre-tax figure was also a little lower at £27m.

Matthew Hall profit warning hits shares

BY CLAY HARRIS

SHARES in Matthew Hall fell by one-sixth, from 147p to 125p, yesterday after the engineering contractor and project manager warned of a material reduction in profits for 1987.

Analysts yesterday marked down pre-tax forecasts from more than £19.5m to £16m, compared with the £19.5m reported in 1986. However, the operating decline will be steeper, as the group's 1987 results will include a one-time £4m benefit from a pension holiday in the UK and a US pensions re-organisation.

At the interim stage, pre-tax profits were up by 7 per cent to £5.12m. For the present year £18m is now being forecast. The sharp fall was blamed on a substantial and unexpected loss on one US fabrication contract, a delay in recovery of contract claims and the weakness of the US and Australian dollars.

Spalvins sells Coates stake for £28m

BY CLAY HARRIS

MR JOHN SPALVINS yesterday closed an end to his 18-month courtship of Coates Brothers after French rival won the battle for control of the printing inks maker.

Markheath Securities, the UK property company controlled by Mr Spalvins, Adelaide Steamship, sold its stake for £27.8m shortly after CdF Chemie, the French state-owned chemicals group, announced the success of its partial offer for Coates shares.

The French group is now confident of passing the last test - shareholders' approval on Monday of the Coates acquisition. CdF Chemie's industrial inks subsidiary, through a share issue, this would give CdF a total 40 per cent stake.

Markheath's 20.24 per cent of ordinary shares and 22.27 per cent of non-voting A shares were sold to Alexanders Laing and Cruickshank at 340p and 310p respectively. The stockbroker placed the shares with about 25 institutions at prices 3p higher in each case.

General Consolidated reorganisation

BY NIROU TAIT

HOT ON the heels of Ivory & Sims' completion of a £300m reconstruction scheme for three of its investment trusts on Thursday, independently-managed General Consolidated Investment Trust yesterday unveiled its reorganisation proposals.

General Consolidated, however, is treading a more familiar path. The trust, with assets totalling about £82m, plans to turn itself into a split level investment trust, offering shareholders three different classes of share - income, capital and stepped preference - in exchange for the current single class.

Reconstructions on similar lines have taken place elsewhere. Although schemes differ in details the principle behind them is identical. By offering shareholders different classes of income and capital shares, the trusts hope to eliminate the difference between the price at which their shares trade and the value of their underlying assets. It is this discount which makes investment trusts vulnerable to bids.

In the General Consolidated scheme, it is envisaged that the trust will have a fixed life of approximately 10 years. The first new class of share is a "stepped preference share". These will be entitled to net dividends of 2.6p in 1988 which, with an assumed initial market value of 100p a share, gives a gross starting yield of 3.6 per cent. The dividend will then be increased at 7.5 per cent per annum. In addition, the stepped prefs are initially entitled to 100p on winding-up, increased also at 7.5 per cent pa, giving 203.6p by 1997. The stepped prefs do not normally carry voting rights.

Jas Finlay sale talks called off

By Andrew Hill

James Finlay, international trader and financier, and Taylor Woodrow, construction company, announced yesterday that negotiations to sell Sea Supply to the latter company have broken down.

Tranwood advances to £1m

BY NIROU TAIT

Tranwood, financial services and hoisery group, where Mr Nick Oppenheim and Mr Peter Earl are joint deputy chairmen, yesterday announced pre-tax profits of £1.03m in the year to end-December on turnover of £9.18m.

The figures compare with £393,000 and £6.96m respectively in the last 11 months of 1986. The progress reflects the merger accounting of Inncorp Earl, expanding mini-merchant bank, acquired in June last year, and further advances on the hoisery side, and higher interest earned.

Earnings per share rose from 0.46p to 0.92p. The company is paying its first dividend for 11 years, at 0.5p a share.

BT and BA raise £250m in Euromarket

By Clare Pearson

British Telecom and British Airways raised a combined £250m in the sterling Eurobond market yesterday.

BT, which has been awarded the finest triple-A credit rating by the US rating agencies, found ample demand for its \$150m five-year debt which traded at prices comfortably above the discount at which underwriters own it.

Yesterday's issue marked BA's debut in the Eurosterling market though it has twice tapped the Eurodollar bond market since it was privatised in 1984. Lead-managed by S.G. Warburg Securities, it pays interest at 9 1/2 per cent and is priced at 101 1/2.

BA's £100m 10-year issue, lead-managed by Union Bank of Switzerland (Securities), pays interest at 10 per cent and is priced at 100 1/2. Its borrowings have not been rated by the US agencies.

Waverley Cameron talks with Gulliver rivals

BY CLAY HARRIS

Waverley Cameron, the Scottish stationery maker, said last night it would hold further talks with rival suitors before deciding whether to maintain its support for a proposed management buy-in by Mr James Gulliver, Argyll Group chairman.

The board's statement followed a meeting which considered the £4.8m takeover bid by Flavell Communications, a private company controlled by Mr Kevin Doyle, Edinburgh businessman. Flavell's adviser, British Linen Bank, is to meet Bell Lawrie, advising Waverley Cameron, on Monday.

Project delays cut D Davies shares by 20%

By Philip Coggan

A slump in interim pre-tax profits caused shares in D.Y. Davies, the USM-quoted architectural group, to fall by more than 20 per cent yesterday, finishing 46p lower at 175p. Profits fell to £85,000 in the six months to October 31 from £440,000 in the first half of last year. And after tax of £59,000 (£170,000), earnings per share were substantially lower at 0.5p (6.3p).

Turnbull Scott in strong recovery

By Philip Coggan

A substantial recovery is in hand at Turnbull Scott Holdings. The market reacted to the news and marked the shares up 50p to 525p. In the half year ended September 30 1987 group profit was £98,000, compared with a previous loss of £79,000 which grew to £447,000 by the end of 1986-87.

Fletcher Dennys still in the red

By Philip Coggan

Fletcher Dennys Systems, the USM-quoted microcomputer systems dealer which was recently the subject of a rescue package from Hilldown Investments, announced yesterday a further set of losses for the six months to September 30.

Possible Bennett rival in bid for Wigfalls

BY NIROU TAIT

A RIVAL bidder may be waiting in the wings for Wigfalls, the loss-incurring Sheffield-based electrical retail group.

Shares in the company rose 36p to 216p yesterday after the company, which has already agreed terms with acquirer electrical goods retailer Bennett & Fountaine, announced that it had received an approach from a third party. This, said Wigfalls chairman, could lead to a higher offer being received.

Dubilier improvement slows in second half

BY CLAY HARRIS

Dubilier International, manufacturer of electronic components and connectors, yesterday announced a second interim dividend of 2p net per share against a final dividend of 1.5p in 1986.

GrandMet's £0.3m compensation

BY CLAY HARRIS

Grand Metropolitan, the drinks, hotels and food group, paid out £270,000 in compensation and ex gratia payments to former directors during its 1986/7 financial year, the company's annual report revealed yesterday.

Europe listings herald Maxwell growth

BY RAYMOND SNOODY

MR ROBERT MAXWELL, the publisher, said yesterday that the planned listings of Maxwell Communication Corporation shares on the Paris and Frankfurt exchanges heralded a further expansion of his group into Europe.

Woodchester to buy Moorgate Merc.

By Clay Harris

Woodchester Investments is expected to announce on Monday an agreed takeover of Moorgate Mercantile Holdings. Shares in the two leasing groups were suspended yesterday more than a month after negotiations were announced.

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Dividends Announced

Table with columns: Company, Current payment, Date of payment, Corresponding div, Total for year.

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Table with columns: Company, Current payment, Date of payment, Corresponding div, Total for year.

LONDON RECENT ISSUES

Table listing recent issues with columns: Issue, Price, Yield, etc.

FIXED INTEREST STOCKS

Table listing fixed interest stocks with columns: Issue, Price, Yield, etc.

RIGHTS OFFERS

Table listing rights offers with columns: Issue, Price, Yield, etc.

MONTHLY AVERAGES OF STOCK INDICES

Table showing monthly averages for various stock indices from January to October.





INTERNATIONAL COMPANIES AND FINANCE

Tim Dickson and John Wyles on the fight for La Générale
Leysen claims the old lady's hand

IF THE voting rights are restored, then we are the clear winners; if the decision goes the other way then we shall accept defeat, declared Mr. André Leysen, the rugged financier from Antwerp who has raised his standard in defence of Belgium's largest and most celebrated holding company, Société Générale de Belgique.

yesterday appealed to the Italian financier in an interview to abandon his court challenge and to sit down with him to chart a new future for "the old lady" of Belgian companies. With his financing lined up, Mr. Leysen said that he could now talk to Mr. De Benedetti "on equal terms" - a satisfaction he did not have when he met his rival last Monday.



André Leysen: acting in the company in Belgian life, he said. With its interests in public services, oil, banking and so much else, it was important that there should be a "responsible Belgian shareholder" group to protect these vital things.

At the same time, the 59-year-old former president of Gevaert, control of which was sold by Gevaert to Bayer in 1981 - appears infected by Mr. De Benedetti's idea that Société Générale should become a European holding company. "Brussels is the heart of Europe and this company can be made a truly European holding, so we have to combine Belgian vital interests with its European vocation."

Texaco in \$4.4bn loss after write-offs

TEXACO, the US oil company driven to bankruptcy by a long-running legal dispute with Pennzoil, yesterday announced a \$4.4 billion write-off against the value of its assets to settle the dispute and restructure its operations. The company announced a net loss of \$4.4 billion for 1987, compared with a profit of \$725m or \$3.01 a share the previous year. Its fourth-quarter loss, which reflected an after-tax charge of \$2.5 billion to cover a special payment to Pennzoil, was the largest in the company's history.

Fiat shows progress with sharp profit rise

FIAT, ITALY'S largest private sector company, has confirmed significant progress made last year by announcing a sharp rise in operating profit to L3,500bn (\$2.82bn) from L2,457bn in 1986. Mr. Giovanni Agnelli, chairman, said the company - which this week launched its Tipo range of small family cars - obtained important economic and financial results during the year and consolidated its competitive position both in Italy and abroad.

Mr. Agnelli drew attention to the strong performance in the car sector; further improvement in industrial vehicles and progress with components and high technology. Cars generated consolidated sales of L21,818bn, against L16,884bn in 1986, though this did not include Alfa Romeo. The Fiat group sold 2.04m cars last year and its share of the European market rose from 14.1 to 14.3 per cent.

Investment by Fiat amounted to L3,200bn last year, against L2,675bn in 1986. In addition the group spent L1,360bn on research and development, against L955bn in 1986, which was charged directly to the profit and loss account. The group generated L4,350bn of finance internally. The letter says this confirms Fiat's capacity to sustain a high rate of growth, both through investment and new acquisitions.

NZ broker voluntarily ceases trade

FRANK RENOUF and Company, one of New Zealand's leading stockbrokers, has voluntarily ceased trading. It told the stock exchange the decision was made in the light of the current state of the market and the economic climate. Mr. Paul Marin, general manager, said the company would honour all its obligations. All buying orders for shares would be carried through and the company was not in default. However, it believed it was prudent to cease operations at this stage as it could resume trading at some future date.

North Broken Hill ahead

NORTH BROKEN HILL, which is planning a merger with Peko Walsden, another Australian mining company, has produced an 8.7 per cent rise in interim net profits to A\$40.27m (US\$28.76m). The equity-accounted result for the 24 weeks to December 16 compares with A\$37.03m last time and excludes extraordinary credits of A\$18.97m against a A\$12m loss. Turnover was up 10.6 per cent to A\$587.5m.

Peko, which owns the same amount of ERA, reported similar earnings from the uranium producer earlier this week. Stock exchange authorities criticised Peko for effectively releasing details of ERA's earnings before that company had itself reported.

Mr. Peter Wade, North's managing director, said yesterday that he expected Sir Ron Briley's industrial Equity to accept the company's bid for a 19.9 per cent in Peko, accepting instead about 6 per cent of the merged company. North holds almost 23 per cent of Peko, and Mr. Wade said he was not worried about this prospect or that Mr. John Elliott's Elders Resources would gain about 11 per cent through its merger with NZ Forest Products, which holds nearly 15 per cent of North.

Fruehauf in French-led buyout

FRUEHAUF, the US-based trucks and trailers group, is to spin off its European manufacturing operations in a FF722m (\$128m) management buy-out. All Fruehauf's European trailer manufacturing operations will be reorganised under a new holding company, Société Européenne de Semi-Remorques or Eurotrailer, based in France.

The new group, with sales of FF3.13bn in the year ended October 31 and operating profits of FF100.8m, is the leading European manufacturer of road hauling trailers with a 30 per cent market share. The three groups of investors will put FF90m into Eurotrailer, which will in turn pay FF44.7m for Fruehauf's trailer manufacturing operations as well as for Tralor, another French trailer producer in which Banexi was a substantial shareholder. Eurotrailer will also assume FF279m of debt.

Charles Batchelor adds: Last May Fruehauf sold Rentco, its European trailer rental subsidiary, to its management team in a buy-out worth \$43m (\$76.5m). The trailer rental operations, renamed Rentco International, are headquartered in Britain and are headed by Mr. Sandy Aranyos, formerly president of Fruehauf's Detroit-based trailer rental business.

Allegis plans to buy back 63% of its stock

ALLEGIS, the Chicago-based holding company for United Airlines, is to go ahead with a key element of its restructuring by tendering for about 35.5m of its shares at \$80 apiece in cash. The shares represent about 63 per cent of Allegis' outstanding common stock and at \$80 would cost the company \$2.84bn to buy in.

Earlier last week Coniston Partners, the company's largest shareholder, threatened to wage a proxy fight against the board if it backed out of a commitment to raise a \$23m during proceeds to shareholders. Allegis said Coniston had agreed not to raise its stake in the company from the current 14 per cent, and to offer its shares to the self-tender.

Modest rise by Kvaerner to Nkr300m. KVAERNER INDUSTRIER, the Norwegian industrial group, reported only a slight increase in profits for 1987 to Nkr500m (\$47.4m) on sales of Nkr5.6bn, compared with Nkr276m in 1986 on sales of Nkr5.5bn. The group's order intake for last year reached Nkr7.5bn compared with Nkr5.2bn. Last year it established Kvaerner Shipping, a subsidiary which owns and manages 24 liquefied natural gas (LNG) tankers.

LONDON MARKETS

Table with columns for various commodities like Cocoa, Coffee, Sugar, and Oil, showing price changes and market commentary.

WORLD COMMODITIES PRICES

Table listing prices for various metals and minerals including Aluminum, Copper, Lead, Zinc, and Tin, with columns for price, change, and units.

US MARKETS

Table listing prices for various metals and minerals including Gold, Silver, and Platinum, with columns for price, change, and units.

Chicago

Table listing prices for various agricultural products like Soybeans, Corn, and Wheat, with columns for price, change, and units.

New York

Table listing prices for various commodities like Gold, Silver, and Copper, with columns for price, change, and units.

SPICES

Table listing prices for various spices like Black Pepper, White Pepper, and Cloves, with columns for price, change, and units.

INDEXES

Table listing various financial indices like FTSE 100, Dow Jones, and Nikkei, with columns for value, change, and date.

WORLD STOCK MARKETS

NEW YORK (3 pm)

Table of New York stock market data including Dow Jones, S&P 500, and various individual stock prices.

Wall Street

Wall Street's recent advance began to be eroded this afternoon by mild profit-taking and a drop in bonds.

Tokyo

Modest trade saw share prices close slightly up as buying of financials continued, prompted by lower interest rates.

Canada

Declines by most major share groups, led by golds, dragged the market lower at midday.

Hong Kong

Advances in New York and Tokyo led to a sharp local buying interest. Share prices closed marginally lower in quiet, lacklustre trading.

Frankfurt

No clear trend emerged after Thursday's sell-off, with share prices ending mixed in a moderate bounce.

Milan

Share prices closed higher in moderate trade. The gains were largely spurred by technical factors related to end-of-month settlement operations.

Paris

A session of moderate trading saw business buffeted by rumour and continuing uncertainty. Share prices ended just above the day's lows.

Zurich

The higher Wall Street close and a stronger dollar helped Swiss share prices to finish steady in moderate trading.

Amsterdam

Prices ended the week down on their highs, in moderate trading. The day's volume of F1232m, compared with yesterday's F1125m, was boosted by a backlog of work after a telephone fault had forced the bourse to close early the previous night.

Australia

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Japan

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South Africa

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India

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SEASIDE (continued)

Table of stock prices for various companies in the SEASIDE section.

NETHERLANDS (continued)

Table of stock prices for various companies in the NETHERLANDS section.

NETHERLANDS (continued)

Table of stock prices for various companies in the NETHERLANDS section.

INDICES

Table of various stock indices including Dow Jones, S&P 500, and regional indices.

NEW YORK

Table of New York active stocks with columns for stock name, price, and change.

CANADA

Table of Canadian active stocks with columns for stock name, price, and change.

NEW YORK ACTIVE STOCKS

Table of New York active stocks with columns for stock name, price, and change.

NEW YORK ACTIVE STOCKS

Table of New York active stocks with columns for stock name, price, and change.

Small print at the bottom of the page containing publication details and legal notices.

CURRENCIES AND MONEY

LONDON STOCK EXCHANGE

Gilts and equities close steadily

FOREIGN EXCHANGES

Dollar stays in narrow range

"IT'S BEEN one of the quietest days I can remember" was the most exciting contribution one dealer had to make when commenting on yesterday's foreign exchange activity. Traders had a lot to think about, with the recent release of economic data, but very little to look forward to. US GNP figures suggested strong growth but were spilt by a large build up of inventories.

gestions that the Japanese trade surplus would decline in dollar terms over the coming year. The dollar rose to DM1.6775 from DM1.6660 and Y127.75 compared with Y127.15. Elsewhere it finished at SF1.3670 from SF1.3560 and FF5.6550 compared with FF5.6175. On Bank of England figures, the dollar exchange rate index was 93.9 from 94.0.

the dollar at \$1.7700 from \$1.7830 but the strength of the US unit left sterling unchanged against the D-Mark at DM2.9700 and only slightly weaker against the yen at Y226.25 from Y226.75. Elsewhere it closed at SF2.4200 from SF2.4175 and FF10.0100 from FF10.0150.

JAPANESE YEN-Trading range against the dollar in 1987/88 is 159.45 to 121.85. December average 128.45. Trading was confined to a narrow range ahead of the weekend in Tokyo. The dollar closed at Y127.20, unchanged from its close in New York and compared with Y127.05 in Tokyo on Thursday. While figures released after the close of business showed December's unadjusted current account surplus moving up to \$9.44bn from \$5.79bn in November and \$9.19bn a year ago, the visible surplus fell to \$10.06bn in December from \$10.20bn a year ago.

THE GOVERNOR of the Bank of England fired another shot across the City's bows yesterday by repeating his previous warning that domestic interest rates might have to be raised in order to contain inflationary pressures. His admonition checked the day's rise in the equity market which backed down from another cautious move towards the FT-SE index 1800 mark, seen as a significant testing point for market confidence. Government bonds, also halted momentarily by the Governor's words, regained their poise later, helped by the absence of any new funding move by the authorities.

Turnover in equities remained good by recent standards but the S&P share total of 460.2m at 5.00pm was nearly one third down on Thursday, when equity trading by value totalled \$1.4bn, the highest daily total so far this year. Some institutional business was reported again, and oil shares had another very busy session as Atlantic Richfield confirmed that it has awarded its acquisition plans away from Britoil and towards Tricentrol. BP stock was active again as Arco's decision to accept BP's 500p a share for Britoil was widely expected. The UK Treasury would hold discussions next week with both BP and Britoil regarding their respective Golden Shares.

The FT-SE 100 index closed 6.9 up on the day at 1790.8. At mid-session, this leading market indicator had just topped 1793 when the Governor's comments on interest rates clipped the top off the market. Tricentrol were heavily traded again (9.5m shares) as the market awaited the announcement of its bid, after its aggressive purchase of 14.8 per cent of the Tricentrol stock on Thursday morning, set the speculators to work. The shares quickly soared above the 180p paid by Arco and the market buzzed with rumours of impending counter-bids - Mobil, Exxon, and Conoco - were among the names suggested. Finally at 182p, Tricentrol were 5p.

Some analysts took a cautious view of the market's unwillingness to challenge FT-SE 1800, which has already proved a barrier on three previous occasions in the latest market phase. However, many analysts expect equities to make progress ahead of Budget Day, March 15. Warburg Securities told clients yesterday that "a rally to the 1900 level" is likely, while earlier this week, Nomura Securities predicted a trading range of 1650-1950 in the near term. The Bank Governor's references to inflationary pressures and interest rates, made on a TV programme, were taken seriously in the Gilts and money markets. But they were offset in the bond market by another firm performance from

the US bond sector, which has been leading London this week. Some UK bond analysts regard the official warnings on interest rates as part of a cautionary build-up to Budget Day, aimed at curbing over-enthusiasm in the marketplace. UK analysts are not convinced that domestic rates could move higher against the trend of the Japanese and US bond markets. Gilt-edged prices moved erratically, losing initial 4.5 point gains on the Governor's comments, to fall until the 3.30pm deadline for a new Government stock issue had safely passed.

The market then improved, and long-dated issues closed 4.5 up, with the Treasury 7 1/2% '12-15 up 3 at 86%. Indexed-linked issues ended little changed after losing early gains. Tricentrol were heavily traded again (9.5m shares) as the market awaited the announcement of its bid, after its aggressive purchase of 14.8 per cent of the Tricentrol stock on Thursday morning, set the speculators to work. The shares quickly soared above the 180p paid by Arco and the market buzzed with rumours of impending counter-bids - Mobil, Exxon, and Conoco - were among the names suggested. Finally at 182p, Tricentrol were 5p.

Others in the takeover frame included Ultramar, a few pennies better at 24 1/2p on 2.4m turnover. There was a sharp rise in Triton Group, finally 21 up at 164p after Kleinwort Greaveson recommended the shares for their strong North Sea reserves. Cable & Wireless shares topped the active list as confidence rose in London over prospects for Monday's debut in Far Eastern markets of the shares of Hong Kong Telecommunications, in which C & W has an 80 per cent interest.

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£ IN NEW YORK

Table with 2 columns: Jan 29, Jan 30. Rows for 2 month, 1 month, 3 months, 6 months, 9 months, 12 months.

STERLING INDEX

Table with 2 columns: Jan 29, Jan 30. Rows for 8.30, 9.00, 10.00, 11.00, 12.00, 1.00, 2.00, 3.00, 4.00.

CURRENCY RATES

Table with 3 columns: Jan 29, Jan 30, % change. Rows for Sterling, US Dollar, Canadian \$, Australian \$, Swiss Franc, Deutsche Mark, French Franc, Italian Lira, Japanese Yen, Spanish Peseta, Hong Kong \$, S. Africa Rand, New Zealand \$, Irish Punt.

CURRENCY MOVEMENTS

Table with 3 columns: Jan 29, Jan 30, % change. Rows for Sterling, US Dollar, Canadian \$, Australian \$, Swiss Franc, Deutsche Mark, French Franc, Italian Lira, Japanese Yen, Spanish Peseta, Hong Kong \$, S. Africa Rand, New Zealand \$, Irish Punt.

OTHER CURRENCIES

Table with 3 columns: Jan 29, Jan 30, % change. Rows for Argentina, Australia, Brazil, Canada, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, Singapore, South Africa, Taiwan, Thailand, UK, USA.

MONEY MARKETS

Mood of uncertainty

INTEREST RATES were a little higher in London yesterday as the mood of the market was particularly unsettled. After Thursday's almost bullish feel, some of the long faces returned, gaining ammunition from comments by Mr Robin Leigh-Pemberton, Governor of the Bank of England, when he suggested UK clearing bank base lending rate 8 1/2 per cent from December 4.

POUND SPOT - FORWARD AGAINST THE POUND

Table with 4 columns: Jan 29, Jan 30, One month, Three months. Rows for US, Canada, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, Singapore, South Africa, Taiwan, Thailand, UK, USA.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with 4 columns: Jan 29, Jan 30, One month, Three months. Rows for UK, Canada, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, Singapore, South Africa, Taiwan, Thailand, UK, USA.

EURO-CURRENCY INTEREST RATES

Table with 4 columns: Jan 29, Jan 30, 7 Day, One Month, Three Months, Six Months, One Year. Rows for Sterling, US Dollar, Canadian Dollar, Australian Dollar, Swiss Franc, Deutsche Mark, French Franc, Italian Lira, Japanese Yen, Spanish Peseta, Hong Kong \$, S. Africa Rand, New Zealand \$, Irish Punt.

EXCHANGE CROSS RATES

Table with 4 columns: Jan 29, Jan 30, DM, Yen, F.Fr., S.Fr., H.K., Lira, C.S., B.Fr. Rows for DM, Yen, F.Fr., S.Fr., H.K., Lira, C.S., B.Fr.

FT LONDON INTERBANK FIXING

Table with 4 columns: 3 months US dollars, 6 months US dollars, 3 months US dollars, 6 months US dollars. Rows for 3 months US dollars, 6 months US dollars.

MONEY RATES

Table with 4 columns: Jan 29, Jan 30, One month, Three months, Six months, One year. Rows for Treasury Bills, Government Bonds, Prime rate, Bank rate, Factories at intervention.

LONDON MONEY RATES

Table with 4 columns: Jan 29, Jan 30, One month, Three months, Six months, One year. Rows for Interbank Offer, Interbank Bid, Local Authority Deposits, Treasury Bills, Government Bonds, Prime rate, Bank rate, Factories at intervention.

Account Dealing Dates

Table with 4 columns: First Dealing, Last Dealing, Account Dealing, Last Dealing. Rows for Jan 11, Jan 21, Jan 28, Feb 1, Feb 8, Feb 15, Feb 22, Feb 29.

FINANCIAL TIMES STOCK INDICES

Table with 4 columns: Jan 29, Jan 30, % change, 1987/88. Rows for Government Sec, Fixed Interest, Ordinary, Gold Mines, Div. Yield, P/E Ratio, S&P 500, Daily Turnover, Equity Register, Shares Traded.

LONDON REPORT AND LATEST SHARE INDEX

Table with 4 columns: Opening, 10 a.m., 11 a.m., 12 p.m., 1 p.m., 2 p.m., 3 p.m., 4 p.m. Rows for Opening, 10 a.m., 11 a.m., 12 p.m., 1 p.m., 2 p.m., 3 p.m., 4 p.m.

LONDON TRADED OPTIONS

Large table with multiple columns for CALLS and PUTS, including various stock options like Allied, B&A, B&W, Cable & Wireless, etc.

NEW HIGHS AND LOWS FOR 1987/88

Table with 4 columns: New Highs, New Lows, Date, Price. Rows for various companies like British Petroleum, Shell, etc.

The excess foreign shareholding position is expected to be resolved shortly and partly on this basis Warburg Securities are advocating a switch from British Aerospace into Rolls-Royce. Elsewhere in the Engineering sector, comment on possible benefits from the Brunel project directed buying attention to Telfee which moved up 8 to 127p and Hall Engineering, 5 to the good at 310p. IRI halted further at 194p on the bid and IRI Hayes Metals to Almagated Metal Corporation.

The four stocks chosen by Warburg Securities, the London investment house, for inclusion in its 1988 Pharmaceutical Model Portfolio claimed considerable attention. Flawless was a particularly lively market and advanced 8 to 266p in a volume of some 6.4m shares. While Beecham, up 5 at 47p, were also briskly traded, London International improved fresh to close 11 higher at 289p and Wellcome firmed 3 more to 410p.

D. J. Davies, reflecting the poor interim figures, fell away sharply to close with a loss of 45 at 175p. G. Davis, in contrast, encountered a burst of speculative activity ahead of its 13 to 162p. The subject of a profits upgrading by Citicorp Scrimgeour Vickers (CISV), were noteworthy for a rise of 13 to 206p. CISV suggest that the present rating is undemanding and strongly recommend the shares for growth funds. Bank Organisations, still reflecting the preliminary figures, improved fresh to around 622p before drifting back on profit-taking to close at 615p. A rise of 57 to 624p for a two-day gain of 57. The large change in a stakeholding (29.9 per cent) continued to excite Ashley Industrial. Tristram which rose 5 further to 56p.

British Telecom cast off its inclusion among the OTC consultative document on price regulation, which has caused some analysts to regard the stock as a rate regulated utility. More aggressive support discouraged sellers and in a good recovery, the shares rose 15 to 237p. Other Electrical leaders showed little change but many features emerged among secondary issues. Inspired by the acquisition of a US concern for \$48m, Essex rose 15 further to 56p while other outstanding gains were scored by Jones Stroud, 210p, Lorin 160p, and Rodime, 185p. An investment recommendation lifted Telescomputing 5 to 178p, but profit-taking after the announcement of excellent interim profits brought Wholesale Fittings back 8 to 430p. Duffield were another casualty, falling 8 to 132p following news that both sales and orders had slowed in the latter part of 1987.

Wall Communication improved after news that the group planned a general expansion into Europe, which would include acquisitions. The shares will be listed for the first time next Friday on the Paris and London exchanges. Leading Properties made major profits brought by the Land Securities edged up to 486p and MEPC hardened a couple of pence to 464p. Renewed profit-taking in the absence of any bid developments left Hammarson A 11 day lower at 442p, but fresh demand in the wake of Warburg Securities recommendation lifted Broadgate developers Rosehaugh 30 to 635p and gave a boost to Rosehaugh's partners in the venture Standard which gained 17 to 195p. Hampton Trust added 10 to 103p following the good half-year figures, but Shield Group, after touching 130p on the announcement of increased interim profits and the company's own shares, fell back sharply to close 4 lower on balance at 103p.

A return to profitable trading in the first six months of the year, which supported the share price, which rose 50 to 525p, while fresh speculative demand raised Walter Bassetman 25 further to 263p. Polly Peck remained buoyant ahead of a major presentation next month and closed 9 higher at 289p.

A fair amount of interest developed in the Traded Option market yesterday. Total contract amounted to 36,940 contracts, 17,570 calls and 8,770 puts. BT attracted 1,076 calls and 1,246 puts, while Cable & Wireless accounted for 2,097 calls and 1,686 puts. The FTSE contract registered 4,154 calls and 1,783 puts.

Traditional Options

First dealings Jan 18. Last dealings Jan 29. Last declarations Apr 21. For settlement May 3. For rate of interest see end of London Share Service.

London Share Service reports a reasonable interest in the Traditional option market. Stocks favoured for the call included Far Eastern Resources, Thomson 7-11, Dares Estates, Delta Group, GEA, and Epi-care. A put option was arranged in Epicure but no doubles were reported.

LONDON STOCK EXCHANGE

DEALINGS

Details of business done on the London Stock Exchange... The following are the names of the companies...

Corporation and County Stocks

Greater London Council 1987-88... Birmingham City Council 1987-88... London County Council 1987-88...

UK Public Bonds

10% 1987-88... 10% 1988-89... 10% 1989-90... 10% 1990-91...

Foreign Stocks, Bonds, etc

Amsterdam 10% 1987-88... Frankfurt 10% 1987-88... Paris 10% 1987-88... Tokyo 10% 1987-88...

Registered Housing Associations

North Yorkshire Association Ltd... Yorkshire Housing Association Ltd...

Commercial, Industrial, etc

Associated British Foods PLC... British Airways PLC... British Telecom PLC...

Sterling issues by Overseas Borrowers

Asian Development Bank 10% 1987-88... International Finance Corporation 10% 1987-88... World Bank 10% 1987-88...

Banks and Discount Companies

Bank of India 10% 1987-88... Citibank 10% 1987-88... HSBC 10% 1987-88...

British Airways Group PLC

British Airways Group PLC 1987-88... British Airways Group PLC 1988-89... British Airways Group PLC 1989-90...

Breweries and Distilleries

Adnoca PLC 1987-88... Carlsberg PLC 1987-88... Heineken PLC 1987-88... J & A G 1987-88...

Financial Trusts, Land, etc

Financial Trusts Ltd 10% 1987-88... Land Securities Ltd 10% 1987-88... Commercial Union Assurance Co Ltd 10% 1987-88...

Mines - Miscellaneous

British Coal 10% 1987-88... British Steel 10% 1987-88... British Petroleum 10% 1987-88... British Overseas Airways 10% 1987-88...

Mines - South African

Anglo American 10% 1987-88... Anglo Coal 10% 1987-88... Anglo Gold 10% 1987-88... Anglo Platinum 10% 1987-88...

THORN EMI PLC

THORN EMI PLC 1987-88... THORN EMI PLC 1988-89... THORN EMI PLC 1989-90...

Financial Trusts, Land, etc

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Mines - South African

Anglo American 10% 1987-88... Anglo Coal 10% 1987-88... Anglo Gold 10% 1987-88... Anglo Platinum 10% 1987-88...

Mines - Miscellaneous

British Coal 10% 1987-88... British Steel 10% 1987-88... British Petroleum 10% 1987-88... British Overseas Airways 10% 1987-88...

USM Appendix

USM Appendix... Details of USM companies and their financial data...

The Third Market Appendix

The Third Market Appendix... Details of third market trading and related companies...

Unit Trusts

Unit Trusts... Details of various unit trusts and their performance...

Shipping

Shipping... Details of shipping companies and their vessels...

Utilities

Utilities... Details of utility companies and their services...

Water Works

Water Works... Details of water supply companies and their infrastructure...

Mines - South African

Mines - South African... Details of South African mining companies and their operations...

Oil

Oil... Details of oil companies and their products...

Property

Property... Details of real estate companies and their properties...

TEESSIDE

TEESSIDE... Details of Teesside companies and their financial data...

NEWPORT

NEWPORT... Details of Newport companies and their financial data...

LEADERS AND LAGGARDS

Percentage changes since December 31 1987 based on Thursday January 29 1988

Table with 2 columns: Sector (Shipping & Transport, Construction, etc.) and Change (%)

RISES AND FALLS

Table with 4 columns: Category (British Funds, Industrials, etc.), Rises, Falls, Same, On the week

BANK RETURN

Table with 3 columns: Banking Department (Liabilities, Assets), Issue Department (Liabilities, Assets)

BASE LENDING RATES

Table with 4 columns: Bank (ABN Bank, AIB, etc.), Rate (%)

EUROPEAN OPTIONS EXCHANGE

Table with 6 columns: Series, Feb 88, May 88, Aug 88, Oct 88, Stock

MANCHESTER A CENTRE FOR FINANCIAL SERVICES. The Financial Times proposes to publish this survey on: Wednesday 20th April 1988. For a full editorial synopsis and details of available advertisement positions, please contact: BRIAN HERON on 061-834 9381 or write to him at: Alexandra Buildings, Queens Street Manchester M2 5LF Telex: 666813 FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Large table listing various unit trusts with columns for Name, Manager, Assets, etc.







FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts with columns for Name, Type, and other details.

LONDON SHARE SERVICE

Table of London Share Service listing British Funds, Foreign Bonds & Rails, and AMERICANS with columns for Name, Price, and other details.

Table of Money Market and Money Market Bank Accounts listing various financial products and their details.

Table of Money Market Bank Accounts listing various bank accounts and their details.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American companies such as IBM, AT&T, and General Electric with their share prices and changes.

CANADIANS

Table listing Canadian companies such as Alcan, Inco, and Northern Telecom with their share prices and changes.

BUILDING, TIMBER, ROADS

Table listing companies in the building, timber, and roads sectors such as Bovis Lend Lease and Bovis Lend Lease Construction.

DRAPERY AND STORES - Contd

Table listing drapery and stores companies such as Debenhams and Debenhams Group.

ELECTRICALS

Table listing electrical companies such as British Telecom and British Telecom Group.

ENGINEERING - Contd

Table listing engineering companies such as BAE Systems and BAE Systems Group.

INDUSTRIALS (Miscel.) - Contd

Table listing various industrial companies such as British Airways and British Airways Group.

INDUSTRIALS (Miscel.) - Contd

Table listing various industrial companies such as British Airways and British Airways Group.

BANKS, HP & LEASING

Table listing banks and hire purchase/leasing companies such as Abbey National and Abbey National Group.

CHEMICALS, PLASTICS

Table listing chemical and plastics companies such as ICI and ICI Group.

DRAPERY AND STORES

Table listing drapery and stores companies such as Debenhams and Debenhams Group.

ENGINEERING

Table listing engineering companies such as BAE Systems and BAE Systems Group.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other consumer goods companies such as Unilever and Unilever Group.

INDUSTRIALS (Miscel.)

Table listing various industrial companies such as British Airways and British Airways Group.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies such as Carlsberg and Carlsberg Group.

DRAPERY AND STORES

Table listing drapery and stores companies such as Debenhams and Debenhams Group.

ENGINEERING

Table listing engineering companies such as BAE Systems and BAE Systems Group.

HOTELS AND CATERERS

Table listing hotels and caterers companies such as Whitbread and Whitbread Group.

INDUSTRIALS (Miscel.)

Table listing various industrial companies such as British Airways and British Airways Group.

INSURANCES

Table listing insurance companies such as Prudential and Prudential Group.

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LONDON SHARE SERVICE

INSURANCES - Contd

Table listing insurance companies and their share prices, including Royal Indemnity, Commercial Union Assurance, and others.

LEISURE

Table listing leisure-related companies such as British Skyways, British Airways, and others.

PAPER, PRINTING, ADVERTISING - Contd

Table listing paper, printing, and advertising companies like News International, Reed International, and others.

PROPERTY

Table listing property-related companies such as British Land, Land Securities, and others.

TEXTILES - Contd

Table listing textile companies including British Textiles, J. H. Rayner, and others.

TOBACCO

Table listing tobacco companies like British American Tobacco and others.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies such as British Trustee, Finance Trust, and others.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land companies (continued).

OIL AND GAS - Contd

Table listing oil and gas companies like British Petroleum, Shell, and others.

MINES - Contd

Table listing mining companies such as Anglo American, De Beers, and others.

THIRD MARKET

Table listing third market trading data for various stocks.

PLANTATIONS

Table listing plantation companies like United Plantations and others.

MINES

Table listing mining companies (continued).

OVERSEAS TRADERS

Table listing overseas trading companies.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies like British Leyland, British Aerospace, and others.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies (continued).

SHIPPING

Table listing shipping companies like British Overseas Airways, British Shipways, and others.

SHOES AND LEATHER

Table listing shoes and leather companies.

SOUTH AFRICANS

Table listing South African companies.

TEXTILES

Table listing textile companies (continued).

OIL AND GAS

Table listing oil and gas companies (continued).

OVERSEAS TRADERS

Table listing overseas trading companies (continued).

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks.

IRISH

Table listing Irish stocks.

TRADITIONAL OPTIONS

Table listing traditional options.

A selection of options traded in the past week. London Stock Exchange Information Page

Notes: Unless otherwise indicated, prices are in pence and dividends are in pence and cents. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on a half-yearly basis. Dividends are shown in pence and cents. Dividends are shown in pence and cents. Dividends are shown in pence and cents.

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# FINANCIAL TIMES

Saturday January 30 1988

**Balfour Beatty**  
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## NFC plans November flotation

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE BOARD of the National Freight Consortium, the employee-owned transport and distribution group, is to go ahead with plans for a stock market flotation.

Sir Peter Thompson, the NFC chairman, is expected to announce the decision on Tuesday, when the group will reveal a big increase in profits for the fifth successive year.

The recommendation will require approval by NFC's 35,000 shareholders, including 22,000 employees, at the annual meeting in Blackpool in late February. Details of the flotation are still being worked out, but the board is thought to have pencilled in November as the most likely date.

Several options have been considered, including a

straightforward application for a listing on the existing shares. Success would be possible because NFC's unusual shareholding structure would meet Stock Exchange requirements that quoted shares should be widely held.

However, the board is more likely to take the flotation as an opportunity to raise additional capital by issuing new shares. This would imply some dilution of the existing employee holding of about 82 per cent, but the issue would be structured to maintain more than half the stock in employee hands. Institutions hold about 17 per cent of the existing stock.

An opinion poll carried out for the company last year indicated that flotation was favoured by 50 per cent of shareholders, representing about 70 per cent of the stock. Research for the poll was carried out before the stock market collapse in October and enthusiasm is thought to have waned slightly since then.

The board is understood to be planning an information campaign to explain to shareholders the advantages of flotation. This will stress NFC's requirement for access to new capital to finance continued growth.

NFC shares, which are traded quarterly at valuations set by stockbrokers Phillips and Drew, were marked down to 135p to 117½p, in response to Black Monday. This is 47 times the value of the initial £1 shares, after accounting for a series of bonus issues.

The average initial investment of £700 is now worth £32,000 and the value of the company has increased from £8m to just under £380m. Phillips and Drew values NFC at a discount to the price commanded on the Stock Exchange by similar companies, indicating that the shares could open at a substantial premium.

NFC was sold to an employee buy-out consortium led by Sir Peter Thompson in 1982, as part of the Government's privatisation programme.

The group reported pre-tax profits of £37m in 1985-86, compared with a £10m in the first year after privatisation. Interim profits were up 27 per cent in the first half of last year, to £16m, and the full year result is expected to show a similar increase.

## THE LEX COLUMN

# The Budget casts a long shadow

## Currie call to choose operations instead of holidays

By Peter Riddell, Political Editor

A THREEFOLD and speedy increase in the size of the private health sector was advocated yesterday by Mrs Edwina Currie, the outspoken junior health minister.

In a speech in Southampton intended to push radical solutions in the newly-launched government review of health provision, Mrs Currie suggested that people with cash to spare might postpone a second holiday and use the money for a non-urgent operation - or they might put off decorating the living room and get their teeth done instead.

People should be encouraged to think about choices in health care in place of what she called the present apathy factor, when people assumed free treatment. She felt they would also pay more attention to their well-being when their self-inflicted ill health was paid for by themselves rather than by their neighbours.

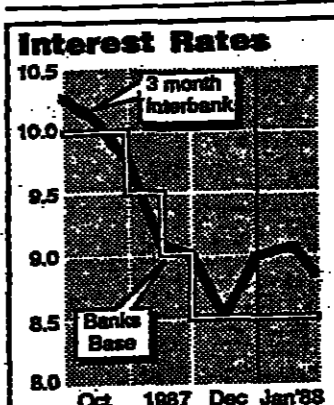
Mrs Currie said that if the gap between increased demand for health care and possible increases in public provision was to be filled, the private sector would have to take some of the strain. It stands at about £700m turnover (a year) now. We could be asking it to grow to £2bn or more in a comparatively short space of time.

If, in addition, the private sector was asked to take some of the strain, it would be a thumping big growth the like of which we have never seen in this country before.

Similar themes were developed last night in Faversham, Kent, by Mr John Moore, the Social Services Secretary who said the "searching review" ruled nothing out. In the short-term the aim was to improve value for money and, in the longer-term, to ensure that health care reflected what people wanted.

Mr Moore said the Government wanted people to feel free to contribute, if they wish, to private insurance - just as they are free to pay for private transport care when at home, or a foreign holiday.

## FT Index rose 5.7 to 1435.7



Interest Rates

Yesterday's reminder from the Governor of the Bank of England about the pressure for higher interest rates made no impression either on gilts or the money market. There is no question, though, that the interest rate outlook is still the main preoccupation of the markets. A consensus is emerging that base rates are likely to stay steady until the Budget, but there is no agreement at all on what happens then.

Internationally the drift in the past week has been downward, with modest cuts in European rates and a jump in US bond prices on the argument that the latest US GNP figures point to a slowdown this year.

Domestically the markets took heart from their own robust reaction to the distinctly poor December trade figures. For gilts and equities this was not wholly circular reasoning; both took their cue from the foreign exchange market, which appears to have held up on the slightly dubious premise that with consumer spending slowing and a cautious Budget in prospect the balance of payments cannot get any worse.

In seems, in fact, that the Budget is casting its spell over the trade figures. It may well be that an imminent hike in base rates is not on; the authorities would probably like a couple of months' more data on the real economy after the crash, and sterling despite the trade figures - is still holding up against the D-Mark.

After the Budget, the pessimists argue, the authorities may feel like retreating to a base rate band between 9 and 10 per cent, as a compromise between what the economy can bear and what the markets need as a guarantee against inflation. Alternatively, if Mr Lawson can come up with his expected surplus and the dollar is by then on another downward leg - which is not implausible - there might just be room for an interest rate cut.

Meanwhile, equities are parked very much on the sidelines; despite a slight upturn in the past two days, volume has been ominously low for most of the week. Barring external stimulus or a sudden explosion by a market desperately short of business, it could be a grim February.

the \$336m Standard paid for the bank just 12 months ago. It is able to claim a book profit on the deal, but only because it has already written off the considerable goodwill on the purchase. The small print of the deal also fails to reassure: Citicorp appears to have turned its nose up at part of the Arizona bank's loan portfolio, with the result that Standard is retaining \$145m of loans along with its corresponding provision of \$15m.

Meanwhile, the deal brings Standard only a pigeon step towards its goal of a strong balance sheet. It will take the sale of Union to put its equity to assets ratio on a par with the big four, and even then it may find itself at the bottom of the rankings when its weight of bad debt exposure should demand it a place at the top.

**Super Bowl**

When evangelism and American football meet on the turf at San Diego stadium tomorrow, the fate of Wall Street will hang in the balance. As the rival Denver Broncos and Washington Redskins gather together today to pray for the outcome of the Super Bowl championship - under the spiritual guidance of coaches Dan Reeves and Joe Gibbs, both followers of the Rev Billy Graham - they may be unaware that they are about to make or break stock market fortunes. Unless the so-called Super Bowl indicator skips a beat, the direction of the market for the next 12 months will be determined by which team wins the championship.

According to the Super Bowl theory, the market will rise if a team from the old National Football League triumphs and fall if one from the now-defunct American Football League wins. So this year's bulls should root for the Skins, while bears should cheer the Broncos. If the bookies have got it right, Wall Street is in for another 12 months in the doldrums: yesterday's line from Las Vegas made Denver the favourites to win by 3½ points.

Most worrying is the suspicion that Standard has decided to sell the Arizona bank independently from the larger Union Bank of California because it was having trouble finding a buyer for the whole. The longer Union dangles around, the more optimistic market estimates of \$1bn for both banks start to look.

While Standard has extracted from Citicorp a decent premium to assets, \$200m-odd seems less of a victory when compared to

## Standard Chartered

Standard Chartered's sale of its choice US assets may not be the quick fix to the bank's problems that the market has hoped for. Standard has sold the trade figures - is still holding up against the D-Mark.

After the Budget, the pessimists argue, the authorities may feel like retreating to a base rate band between 9 and 10 per cent, as a compromise between what the economy can bear and what the markets need as a guarantee against inflation. Alternatively, if Mr Lawson can come up with his expected surplus and the dollar is by then on another downward leg - which is not implausible - there might just be room for an interest rate cut.

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## Continued from Page 1

## Masons

ers lured to Japan by the high value of the yen.

The EC delegation in Tokyo is investigating the problem with a view to making inquiries at Japan's Foreign Ministry, but a Ministry official yesterday dismissed the issue and refused to comment.

European diplomats in Tokyo, and the Japanese construction industry, are talking the matter seriously, however. Japanese imports of stone from Europe soared by more than 50 per cent last year to about 180,000 tons. Portugal, the leading supplier, says Japan is the fourth largest market for its marble.

Construction industry executives say demand for high-quality stone masons is so great that all stone sub-contractors are booked for the next two to five years.

The workers they would like to bring in have all had long experience working for Japanese contractors overseas. Nonetheless, they have not yet been granted visas.

Mr Michael Laine for the EC delegation in Tokyo said yesterday: "We are aware that immigration is a domestic matter, but the situation regarding stone masons is a bottleneck which is choking the flow of stone exports from Europe."

Mr Camillo Martins de Oliveira, commercial counsellor of the Portuguese Embassy in Tokyo, said: "These Japanese companies hire Korean workers overseas. There is no reason for not having the same workers in Japan - it is to the advantage of Japanese industry."

Japan has one of the lowest foreign worker ratios among the developed countries: just 0.7 per cent of its population are foreigners. West Germany has more than 7 per cent foreign workers.

In spite of its low ratio, however, Japan is increasingly sensitive about granting more temporary work visas.

## Continued from Page 1

## Hopes fade

spending on agriculture under control and put an end to the problem of surpluses."

However, British officials conceded privately that, with a French presidential election in the offing, Paris could not be expected to move far on the most contentious remaining issue - constraining cereal prices and production.

Not is there much hope that Mrs Thatcher's talks in London next Tuesday with Mr Helmut Kohl, the West German Chancellor, will untie the Gordian knot.

## German nuclear plant plans ruled invalid

BY DAVID MARSH IN BONN

WEST GERMANY'S plan to build a DM6.4bn (£2.15bn) commercial nuclear reprocessing plant to separate plutonium from burnt reactor fuel suffered a setback yesterday when a Munich court declared the development plans invalid.

The decision opens the prospect of a further long period of legal wrangling over the future of the plant, which was due to be built by 1996 at Wackersdorf, a rural area of Bavaria.

In a suit brought by a local farmer, the Bavarian administrative tribunal ruled that the planning provisions failed to guard adequately against dangers caused by radiation.

The ruling, which took nuclear supporters and opponents by surprise, was welcomed by anti-nuclear groups and the opposition Social Democratic Party.

But the plant's operator, the Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen, said the decision would not stop construction because preliminary building work being carried out was not covered by the ruling.

Mr Wolfgang Baumann, the anti-nuclear lawyer handling the suit, said the ruling would affect the approval procedure for Wackersdorf.

The plant, a symbol of efforts by the Federal Republic's nuclear industry to catch up with Britain and France, has been surrounded by controversy since DWK decided to go ahead with work at the site in 1985. The aim of the project is to produce plutonium and re-usable uranium which can be separated from waste products and burned again in reactors.

The latest reversal comes amid a continuing political row over alleged irregularities in transport of nuclear waste, which are being investigated by state prosecutors. These allegations, focusing on the nuclear fuel company Nukem and its subsidiary Transnuclear, have been used by nuclear opponents to cast doubt on the Government's strategy for dealing with nuclear waste.

Mr Hans-Jochen Vogel, chairman of the SPD, which is calling for a gradual move away from nuclear energy, yesterday voiced satisfaction over the ruling and called on the Bavarian state government, as well as the ruling centre-right coalition in Bonn, to rethink its nuclear strategy.

Government officials warned against hasty conclusions over the effects on its strategy for dealing with nuclear waste.

## German nuclear plant plans ruled invalid

shut a 750 megawatt power station on Ap Lei Chau and relocate the plant on the more distant Lamma Island where it has its main installation.

Land cleared by these moves will allow Cheung Kong, Mr Li's property holding company, to join its sister companies Hutchison Whampoa, Cavendish International and Hongkong Electric in two developments that will house a total of 70,000 people in the mid-1990s.

The 2½ acre development at Cha Kwo Ling will be finished in 1993 and cost about HK\$3bn. The remote industrial area will be transformed in two years by the completion of Hong Kong's HK\$3.4bn second cross-harbour tunnel, which will emerge there to quicken road and rail access to the central business district.

The Ap Lei Chau housing development "will be one of the biggest and most prestigious" in Hong Kong, the company said yesterday. It will cost about HK\$4.5bn and is expected to be completed by 1995.

Shell plans a HK\$1.8bn depot on Tsing Yi island and expects this to be in operation by 1991.

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## Britoil's hopes of fending off hostile BP takeover bid fade

BY STEVEN BUTLER

BRITLOIL'S HOPES of finding a "white knight" to save it from a hostile takeover bid by BP appeared to collapse yesterday when Atlantic Richfield, the US oil company, said it was now committed to sell its 24 per cent stake in Britoil to BP.

Arco also said it had added to its stake in Tricentrol, the independent British oil company, raising it to 14.3 per cent, and that it was considering whether to launch a full bid for the company.

The sale of Arco's Britoil shares would give BP a majority 54 per cent stake in the independent British oil company, virtually eliminating the possibility that Britoil would be able to convince another bidder to ride to the rescue with a higher offer.

Britoil yesterday urged shareholders to take no action on the BP offer pending a meeting of the Britoil board on Monday.

BP's majority stake in Britoil will not give it automatic control of the company. This is

because the Treasury has vowed to use the voting rights associated with its special share to preserve Britoil's independence, so long as it remains in the "national interest" to do so.

The Treasury yesterday confirmed that it would now embark on discussions with BP, and separately with the Britoil board, about how it would exercise its voting rights.

BP has said that its bid for Britoil is not contingent on the outcome of any discussions. This raises the possibility of BP acquiring up to 100 per cent of Britoil shares without being able to appoint directors to the board.

Arco's announcement evidently caught Britoil by surprise. Only a day earlier, Britoil had issued its defence document and said it was in talks with another company which had a "fair chance" of leading to a rival bid.

If Arco launched a full bid for Tricentrol, Elf Aquitaine would

## Hong Kong projects launched

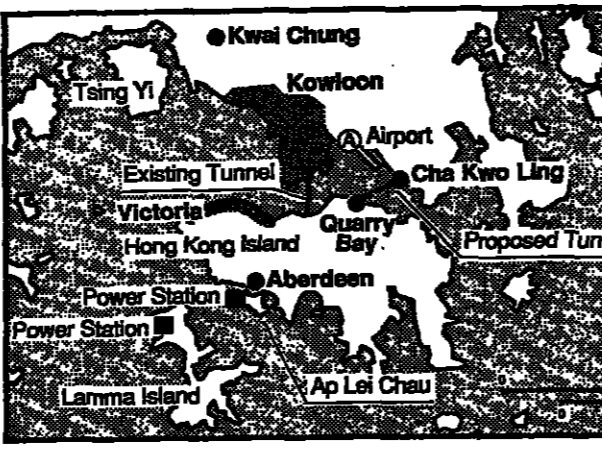
BY DAVID DODWELL IN HONG KONG

MR LI KA-SHING, who heads four of Hong Kong's leading companies, yesterday unveiled two of the most ambitious housing projects ever launched in the territory, together costing HK\$7.8bn (£668.7m).

The developments, which will involve relocation of oil and power generating installations, moving them to Tsing Yi island, to the south of Hong Kong island, and Kwai Chung island, near the Kowloon container port.

Shell is to close oil installations at the first two locations, moving them to Tsing Yi along with facilities owned by Mobil and Hongkong Oil.

At the same time Hongkong Electric, monopoly supplier of power to Hong Kong island, will



shut a 750 megawatt power station on Ap Lei Chau and relocate the plant on the more distant Lamma Island where it has its main installation.

Land cleared by these moves will allow Cheung Kong, Mr Li's property holding company, to join its sister companies Hutchison Whampoa, Cavendish International and Hongkong Electric in two developments that will house a total of 70,000 people in the mid-1990s.

The 2½ acre development at Cha Kwo Ling will be finished in 1993 and cost about HK\$3bn. The remote industrial area will be transformed in two years by the completion of Hong Kong's HK\$3.4bn second cross-harbour tunnel, which will emerge there to quicken road and rail access to the central business district.

The Ap Lei Chau housing development "will be one of the biggest and most prestigious" in Hong Kong, the company said yesterday. It will cost about HK\$4.5bn and is expected to be completed by 1995.

Shell plans a HK\$1.8bn depot on Tsing Yi island and expects this to be in operation by 1991.

## Bank set to continue with gilt auctions

By Simon Holberton

THE BANK of England appears set to continue with the US-style auction system of selling British Government debt following an endorsement by the Treasury but it is thought the Treasury is likely to be in favour of continuing with them.

A final decision on the auction system will await consultations between the Bank and the Treasury but it is thought the Treasury is likely to be in favour of continuing with them.

Two senior Bank officials met the primary dealers on Thursday night. The dealers voted by a substantial margin to continue with the auction system.

At the meeting the Bank made clear its displeasure with recent press reports that it was not in favour of the auction system. Although it did not make any statements of its intentions, dealers said they were left in no doubt that the Bank wanted auctions to continue.

Auctions are not, however, expected to shoulder the major burden of the Bank's funding requirements in the foreseeable future. They are seen as a useful addition to its existing funding techniques. During the current financial year three experimental auctions raised £2.8bn compared with more than £10bn through top issues and minimum price tenders.

Although the dealers voted in favour of auctions they asked the Bank to consider the issue of underwriting future auctions, and delayed settlement for primary dealers who participate in auctions.

The Treasury vetoed underwriting when auctions were first discussed early last year because it did not want to increase the cost of selling Government debt by paying fees to underwriters.

The decision of the dealers to seek the continuation of the auction system seems to represent a surprising change of heart by market makers who, only a few weeks ago, were suggesting it had failed because the Bank's other methods of funding - tap issues and minimum priced tenders - were a more efficient and less disruptive way of issuing gilts.

With the exception of the first auction in May, the experiment was widely viewed as a failure. The last auction, earlier this month, was covered only 1.07 times, compared with an average cover of 2.5 times for auction in the US bond market.

## CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

| RISERS               |          | FALLS              |          |
|----------------------|----------|--------------------|----------|
| Allied-Lyons         | 351 + 7  | Sanhops            | 199 + 17 |
| BPI Inds.            | 289 + 9  | Sun Alliance       | 896 + 18 |
| Cable & Wireless     | 370 + 17 | Tarmac             | 230 + 7  |
| Ernest               | 415 + 15 | Tate & Lyle        | 810 + 15 |
| Ernest               | 415 + 15 | Tricentrol         | 195 + 8  |
| Guinness             | 283 + 7  | Wileyway Cameron   | 214 + 36 |
| Haynes Publishing    | 448 + 20 | Wigalls            | -        |
| London & Manchester  | 239 + 17 |                    |          |
| London International | 313 + 13 | Dubiller           | 132 - 8  |
| Plumb Hedges         | 335 + 13 | Finlay (Ins.)      | 92 - 5   |
| Polly Peck Ind.      | 289 + 9  | Hall (Matthew)     | 123 - 24 |
| Rosehams             | 635 + 30 | Standard Chartered | 635 - 15 |
| Share Drug Stores    | 325 + 35 | Wholesale Fittings | 420 - 8  |

## WORLDWIDE WEATHER

| City         | Temp | Wind | Cloud | City        | Temp | Wind | Cloud |
|--------------|------|------|-------|-------------|------|------|-------|
| Agaña        | 14   | 0-10 | 0-10  | Madrid      | 18   | 0-10 | 0-10  |
| Algeria      | 14   | 0-10 | 0-10  | Manila      | 26   | 0-10 | 0-10  |
| Amman        | 14   | 0-10 | 0-10  | Mexico      | 26   | 0-10 | 0-10  |
| Amsterdam    | 14   | 0-10 | 0-10  | Moscow      | 18   | 0-10 | 0-10  |
| Ankara       | 14   | 0-10 | 0-10  | Mumbai      | 26   | 0-10 | 0-10  |
| Antwerp      | 14   | 0-10 | 0-10  | Nairobi     | 26   | 0-10 | 0-10  |
| Athens       | 14   | 0-10 | 0-10  | Rangoon     | 26   | 0-10 | 0-10  |
| Auckland     | 14   | 0-10 | 0-10  | Reykjavik   | 14   | 0-10 | 0-10  |
| Bahia        | 14   | 0-10 | 0-10  | Rome        | 14   | 0-10 | 0-10  |
| Bangkok      | 14   | 0-10 | 0-10  | Sao Paulo   | 14   | 0-10 | 0-10  |
| Barcelona    | 14   | 0-10 | 0-10  | Seoul       | 14   | 0-10 | 0-10  |
| Bombay       | 14   | 0-10 | 0-10  | Stockholm   | 14   | 0-10 | 0-10  |
| Buenos Aires | 14   | 0-10 | 0-10  | Taipei      | 14   | 0-10 | 0-10  |
| Calcutta     | 14   | 0-10 | 0-10  | Tokyo       | 14   | 0-10 | 0-10  |
| Cairo        | 14   | 0-10 | 0-10  | Ulaanbaatar | 14   | 0-10 | 0-10  |
| Cardiff      | 14   | 0-10 | 0-10  | Yokohama    | 14   | 0-10 | 0-10  |
| Chengde      | 14   | 0-10 | 0-10  |             |      |      |       |
| Chicago      | 14   | 0-10 | 0-10  |             |      |      |       |
| Copenhagen   | 14   | 0-10 | 0-10  |             |      |      |       |
| Dublin       | 14   | 0-10 | 0-10  |             |      |      |       |
| Hankow       | 14   | 0-10 | 0-10  |             |      |      |       |
| Hong Kong    | 14   | 0-10 | 0-10  |             |      |      |       |
| London       | 14   | 0-10 | 0-10  |             |      |      |       |
| Lyons        | 14   | 0-10 | 0-10  |             |      |      |       |
| Manila       | 14   | 0-10 | 0-10  |             |      |      |       |
| Medan        | 14   | 0-10 | 0-10  |             |      |      |       |
| Mumbai       | 14   | 0-10 | 0-10  |             |      |      |       |
| Nairobi      | 14   | 0-10 | 0-10  |             |      |      |       |
| Rangoon      | 14   | 0-10 | 0-10  |             |      |      |       |
| Reykjavik    | 14   | 0-10 | 0-10  |             |      |      |       |
| Rome         | 14   | 0-10 | 0-10  |             |      |      |       |
| Sao Paulo    | 14   | 0-10 | 0-10  |             |      |      |       |
| Seoul        | 14   | 0-10 | 0-10  |             |      |      |       |
| Stockholm    | 14   | 0-10 | 0-10  |             |      |      |       |
| Taipei       | 14   | 0-10 | 0-10  |             |      |      |       |
| Tokyo        | 14   | 0-10 | 0-10  |             |      |      |       |
| Ulaanbaatar  | 14   | 0-10 | 0-10  |             |      |      |       |
| Yokohama     | 14   | 0-10 | 0-10  |             |      |      |       |

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# WEEKEND FT

Saturday 30/Sunday 31 January 1988

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

The FT is 100 years old next month. David Kynaston looks back on some of the memorable moments during its early years

## The men who mattered

THE history of the Financial Times should perhaps be called "1945 and all that" for, without doubt, this was the single most important date in its history. It was then that two rather small-time, essentially City newspapers, the Financial News and the Financial Times, ended almost 60 years of rivalry and came together to form the modern FT. The chairman, the managing director and the editor of the new paper all came from the FN stable and the character of the new paper was to the FN as the old FT, which provided the greater commercial clout and the pink paper but relatively little else.

It was a merger that proved more brilliantly successful than anyone could have expected. Circulation climbed from 51,000 in 1945 to 190,000 by 1950 and 197,000 by 1980; it now stands at a record 310,000. Editorially, the new FT soon began to transcend the traditional concerns of financial journalism and established first-rate industrial, labour and scientific coverage, the best arts page in the country and, in due course, unrivalled foreign reportage.

Why did the world need the Financial News, established in 1884, and the Financial Times, founded four years later? Essentially, because the City of London was then at its height as an international financial centre, the Stock Exchange was expanding rapidly, and the burgeoning investing and speculating classes had virtually nowhere to turn for information, advice and protection. The late-Victorian stockbroker took a largely passive view of his responsibilities, while the only existing financial daily, the Financial News, followed the format of the "money article" in the main newspapers, offering merely a flat and somewhat misleading record of the principal price movements in the more traditional markets, with minimal editorial comment and little in the way of genuine reportage.

The Financial News changed all that. Known for its first five months as the Financial and Mining News, it did much to pioneer coverage of that increasingly important but far from respectable market. A mine might have been "a hole in the ground owned by a liar," as the contemporary adage went, but the FN saw no reason why such a source of massive speculation should not be given full critical scrutiny. The new paper offered many other services: it published the most accurate and up-to-date prices, from abroad as well as home; its market commentaries were both exhaustive and perceptive; its Answers to Correspondents column provided individual investment advice; and, taken as a whole, the paper was written trenchantly, following the old-fashioned, straight-talking and not afraid of the lighter touch. It was fitting that in *The Diary of a Nobody*, published in 1892, Pooter's irreverent son Lupin was "riveted to the Financial News, as if he had been a born capitalist."

Perhaps, though, young Lupin read the FN for the dirt. Again, breaking new

ground, soon after its inception the paper launched itself into a series of investigative exposures, revealing as never before something of the shadier side of what was still a largely unregulated City. Typical was a run of articles called the "Pulper's Web and the Wasp's Nest," one of which in September 1887 said: "The late secretary of the bogus Northern Transvaal Mining Company, the *chef d'oeuvre* of Mr G.W. Fagge, alias Burchell, alias Morris, Stewart & Co., has started in business as Fagge & Co., stockbroker. From what we know of Mr Fagge's previous financial operations, we should be inclined to think that Mr Fagge is just the sort of stockbroker to avoid."

Fagge eventually sued for libel but the jury accepted that Northern Transvaal had been a bogus company although Fagge did get £50 for unfounded accusations in the FN that some years before he had misappropriated church money. There were many other victims of the FN's investigative claws during these early years, yet none successfully sued for libel. At one point, in answer to criticism, the paper magisterially if darkly declared: "As to the way in which we get our news, that is our business. We do get it, and we pay for it, and we find that it pays us to pay for it, and to print it."

The FT's pink hue from 1883 but red-blooded from the start, was prepared similarly to identify the villains of the day. A characteristic exposure was that of a notorious company promoter, Thomas Fenwick, who during the 1890s registered companies at the rate of two a year, none of them ever paying a dividend. Finally, in 1899, an article headed "Fenwick and the Pulpit" gave chapter and verse about his fraudulent plan to establish a new Christian newspaper, involving duping no fewer than 164 non-conformist ministers in the north of England. Fenwick sued, but after the first day's evidence decided not to proceed with the case.

On occasion, the FT's victims attempted more immediate measures of redress. One such was a repeatedly-criticised company promoter, Alfred Green, who in 1889 strode into the paper's offices and hurled the editor-propletter down a flight of stairs, leaving him with cuts, bruises, a strained wrist and a swollen thumb.

Who were these fearless heroes of the fourth estate? Undoubtedly, the dominant presences, bossing the whole show, were Harry Banajel Marks of the FN and Douglas Gordon Macrae of the FT. Both were remarkable, larger-than-life figures who combined flair and vision with sound common sense and attention to detail.

Marks, son of the head of the Reformed Congregation of British Jews, went to New Orleans when he was only 15 and proceeded to learn much in a variegated journalistic apprenticeship in the United States. He returned to London while still in his 20s, determined to introduce American-style financial journalism. The result was the FN, a venture that brought him considerable personal wealth. Vanity Fair in 1889 depicted



Marks in his pomp. "He lives in anything but Grub Street style at Loudoun Hall in St John's Wood. He is fond of horses, and owns a promising colt, which lately began to carry his colours at Newmarket. He has a fine picture gallery, wears tight boots, suffers from the gout, and is fond of music. He cannot sing, although he sometimes tries to do so."

Marks soon began to pursue political ambitions, becoming Conservative member of Parliament for St George's-in-the-East in 1895 and reputedly introducing to the House of Commons the joys of the double-breasted cream silk dress waistcoat.

Macrae was rather less worldly than Marks and altogether more straight up-and-down. A printer by background, his salient qualities were immense energy and obstinate self-belief, ignoring all who tried to persuade him in the early years of the FT that the paper was doomed always to be the poor relative of the FN. It was Macrae who had the

imagination to turn to pink paper - one of the great marketing ideas in the history of newspapers - and it was he who during the 1890s hauled up the FT to a position of parity with the FN.

The question must be asked, though: were Marks and Macrae really such heroes of modern journalism? The evidence is patchy and at times conflicting; but certainly there is enough to suggest that there was, especially in the case of Marks, an altogether murkier side to their activities. Such evidence first came out properly in public in 1890 after an American called George Washington Butterfield, who had come to England to raise capital for a Californian gold-mining company, sued the FN vainly for libel over a series of derogatory articles. In revenge, Butterfield then accused Marks of various misdemeanours ("exploiting London after overdoing New York") whereupon Marks, in a serious error of judgment, sued Butterfield for libel.

The case was heard at the Old Bailey and proved highly embarrassing for the music-loving man of property. For one thing it showed that Marks, while in New York late in the 1870s, had had an affair with a Mrs Koppel that might have produced a child (whom Marks disowned) and certainly resulted in him booking a passage to England under the name of "Mr Henry." However, it also revealed that in 1886 Marks had promoted secretly a worthless concern called the Rae (Transvaal) Gold Mining Company, before proceeding over the next year to advise FN readers to buy its shares while more or less simultaneously selling off his own through a variety of "dummy" vendors. "A very safe and remunerative investment" was one such piece of the FN's advice, but others abounded.

The jury duly found for Butterfield - "A Perverse Verdict," according to the FN - and the press at large, even Tory newspapers, came down heavily against

Marks, typified by the opinion of the Morning Advertiser that he was "wholly unfitted to conduct the business of the Empire or the City."

Equally striking courtroom testimony some eight years later touched on Macrae as well as Marks. The occasion was the bankruptcy proceedings of Ernest Terah Hooley, whose audacious activities during 1886 turned him into the most famous company promoter of the age. During that year, he had succeeded in bringing before the public a series of grossly over-capitalised new issues (including Bovril, Schweppes and Dunlop) and received consistent support from the financial press, especially the FN. Hooley's rueful evidence showed why.

He said he had given many journalists inducements to provide favourable treatment but none as often as Marks who apparently received, in cash and shares, a grand total of £31,110, which must have paid for the winter's coal. As for Macrae he was, according to Hooley, "the honestest man of the lot" (and there still emerged the mildly awkward fact that Hooley had bought a horse called Northallerton for £2,000 and then given a one-third interest in it to Mrs Macrae. History does not relate how the nag performed).

The final phase of this invidious scene involved Whitaker Wright, a celebrated financier whose sub-aquous billiard room in his Surrey mansion remains a thing of fable. Wright's intricate but inherently unsound empire (again, much lauded by the press) crashed abruptly in 1900. In the subsequent winding-up proceedings, Wright attributed his misadventure partly to the way in which he had been obliged "for market purposes" to set aside shares that were sold first at an artificially low price to the gentlemen of the press and then, by pre-arrangement, re-bought by his company at a higher price.

Asked if Marks had had a large portion of these cheap shares, he replied, to the usual laughter on these occasions: "I should think so." Soon afterwards, the committee of the Stock Exchange made its own investigation into these "press calls" (as they were known in the trade) and discovered not only that Marks and other FN journalists had been sweetened heavily by Wright but that even Macrae had picked up some 6,500 shares at a bargain price.

Did such revelations matter? In a sense not, for, granted the prevailing *cautem emptor* ("let the buyer beware") ethos of the Stock Exchange and its attendant world where, ultimately, it was each man for himself, they can hardly have been a source of major surprise - certainly not to those in the City. Yet times were changing, especially in the way of companies legislation at the turn of the century, and a rather cleaner era of finance was beckoning.

Macrae died in 1901 and Marks concentrated increasingly on his political activities, earning a certain notoriety by being one of only three MPs not invited to a parliamentary garden party at Buckingham Palace. Yet, the positive journalistic legacy he left was a strong one while the negative, venal side faded gradually, although not conclusively until after the two papers merged in 1945. At this celebratory time in the FT's history, the names of these pioneers should be remembered with honour - although, sadly, they were not beyond reproach.

This article is based on David Kynaston's history of the Financial Times to be published by Viking on February 18 at £25.

### The Long View

## Fear and greed on the home front

WHILE THE stock market takes a breather the UK housing market, it seems, still has the bite between its teeth. House prices rose 15-20 per cent last year, depending on which building society statisticians you listen to, and forecasts of 10-15 per cent growth are common ground for 1988.

If there is a bankers' Garden of Eden left anywhere in the world, it must be the UK residential mortgage business. Last year, a variety of building societies, banks and estate agents shovelled out more than £30bn in net new lending, mostly on highly profitable margins.

The stock market crash threatens, if anything, to reinforce the house-lending boom. Since October, liquidity has surged back into the building societies at the rate of £1bn a month. This is enabling them to accelerate their New Year lending programmes and regain lost market share.

Barry Riley looks at the dizzy state of the housing market and concludes that while the cures are simple economically, the vested interest in high prices means that the political obstacles are daunting



buyers are being priced out of the market. Purchasers are having to raise (in equity plus debt) four times the average earnings per head in order to afford to buy the average house. The last time the ratio was this high

was early in the early 1970s, when the market seriously over-reached itself. In 1982, the ratio was down to three. According to the Nationwide Anglia Building Society, first-time buyers are now actually borrowing 2.7 times their

income, the highest ever gearing. Now, it is often the case that by the time a trend in a financial market becomes of serious public concern, it has just about run its course; hence the view that when a rampaging bull appears on the front cover of the Financial Times, it is time to sell Wall Street. Similarly, it can be argued that when a publicity-catching scheme is launched to offer cheap mortgages to London survers, it is a sign that the market is on the turn.

It is, however, very difficult for a genuine price crash to happen in the housing market in Britain because households cannot shift between the owned sector and the rented sector on any scale. The rented market is simply not big enough.

This can be contrasted with Continental countries like, say, the Netherlands, with an active rented sector where house prices actually fell sharply in the mid-70s. In the UK, the market simply stagnated because home-owners were unwilling to accept what they saw as cut-price offers.

It should be noted, however, that soaring annual inflation of up to 25 per cent a year at that period gave ample scope for real prices to fall, even if nominal values were sticky. A correction now would inevitably take a great deal longer, with inflation much lower.

At least the artificial support of mortgage interest tax relief on the first £30,000 is gradually fading away through house price inflation (the average loan to a first-time buyer is now £32,000) and the effect of lower tax rates. But, perversely, the proposed new poll tax would tend to encourage a rise in house prices.

for a sharp increase in interest rates, the Chancellor could be inhibited by the fear that the young adult age groups, which bear the full brunt of the financing costs resulting from high house prices, would be squeezed and even bankrupted.

But it is the inheritance factor which poses the more fundamental problems. Until now, the spreading of wealth through tax-free capital gains achieved from home ownership has been seen as a positive trend. Marketing analysts in financial services companies have been licking their lips at the prospects for sales of financial products; according to a recent estimate by Morgan Grenfell, property inheritance flows are now running at some £7bn a year.

The suggestion is that this is money freed from the housing market. But could it be sucked back in? There is increasing evidence that young people are being forced to look to their parents for the capital to start them off up the housing ladder. The process is now being formalised through the guarantor mortgage, whereby the equity locked up in a parent's house can be used to support the otherwise unsustainably large home loans extended to their children.

Like all devices (including tax relief) designed to help home-buyers, this kind of mechanism will serve only to ratchet house prices up further. But another snag is that children who, for one reason or another, could not enlist the support of parents would not be able to enter the housing market, at any rate in the more popular areas of the country.

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MARKETS

# Sidelines look the wisest place to be

STILL THE torpor continues. The grim reluctance by investors to do anything, which has hung over the London market for some weeks now, showed no signs of abating during the past five trading days.

Each set of economic figures is seized on and dissected but invariably provides inconclusive evidence of either impending recession or overheating. Caught between these two unenviable prospects, who can blame investors for trading warily, if at all?

Their caution was all too evident in the SEAQ volume figures. Little more than 300m shares were traded on Monday, and activity improved to only around the 350m level during the next two days despite a relatively up-beat survey of manufacturing from the Confederation of British Industry.

Yet again, the industrialists made encouraging noises about output and investment prospects. The only black spot was export performance - which industry admits is being threatened by the sharp plunge in the dollar.

True, that latter warning served only to highlight Thursday's trade figures. A current account deficit of £580m in December was roughly in line with the November figure, but still leaves an estimated deficit

of £2.7bn for the full year - up from just under £1bn in 1986, and the largest annual gap since 1974.

While that was scarcely the most encouraging news, the market had expected little better, the pound at least remained steady, with the sterling index easing from 74.5 to 74.4.

## London

In the face of that resilience - somewhat quixotically - the London market actually managed its best session of the week. The FT 100-Share Index, having gyrated in single figures during the first three trading days, climbed 15.7 points to 1,733.9 by Thursday night. Activity, helped by the sheen of a sudden burst with SEAQ showing more than 650m shares traded.

Come Friday, however, the tone was muted again - although broadly firmer overall. Shortly before lunch, Footsie broke decisively through the 1,700-level but could close at only 1,790.8, up 6.9 points on the day and 19.9 on the week.

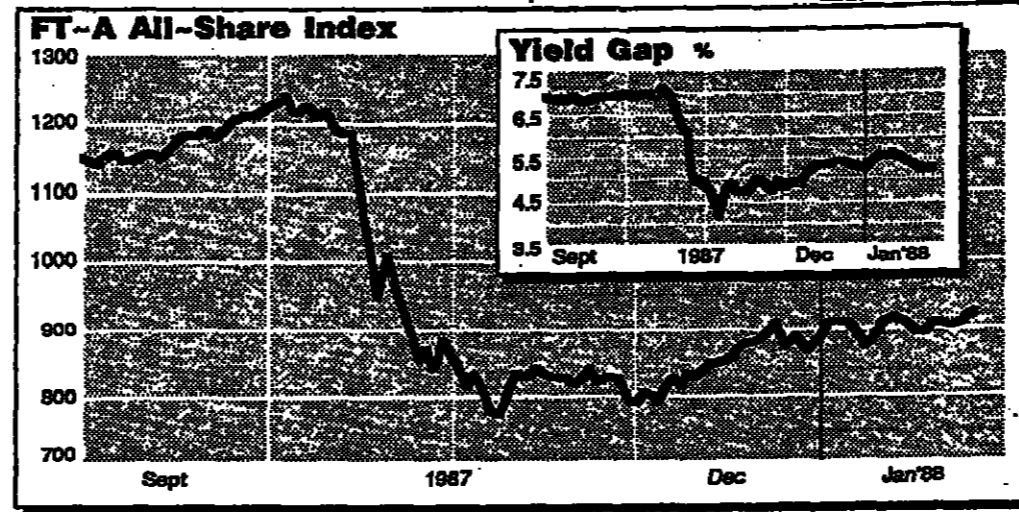
Moreover, further reflection encourages a good few analysts to believe that trade deficit considerations will at least steady Chancellor Nigel Law-

son's hand when it comes to the question of Budget tax cuts. Even if political considerations make these imperative, suggestions of some offsetting action to dampen excess demand are being voiced increasingly.

That, of course, would seem to point to a rise in interest rates at some stage - a scenario which the gilt market has taken on board for some time now. But the question remains when. As rival economic statistics oscillate between hints of an economic slowdown and twinges of overheating, so the gilt market takes and loses heart.

On balance - and helped by sterling's resilience to the trade figures - it chose the latter course this week. By Thursday night, the yield on high coupon longs had dipped back to about 9.3 per cent, compared with 9.46 per cent at the end of the previous week.

In theory, a major bull point for the market now should be the rapidly recovering institutional liquidity position. It is almost three months since the string of pre-crash cash calls - and, of course, the BP issue - told on institutional coffers. Moreover, the subsequent famine has coincided with the heavy dividend/gilt coupon payments - say nothing of the cash bid wave.



On the bid scene, certainly, the institutional appetite for cash on the nail cannot be taken entirely for granted. Retail giant Sears, offering a generous exit multiple of 22 times Freeman's present-year earnings in a cash-only bid, found that topping the 50 per cent level was no cinch - although it got home eventually by a 6 per cent margin eight days ago.

Granada, which started the bid wave with a cash and convertibles offer for rival Electronic Rentals, actually found more investors opting to take extra convertibles than extra cash.

But even if such straws suggest that sentiment is not entirely bearish, there is precious little to indicate much recovery in the gilt market as the economic picture remains cloudy, the sidelines may well

remain the wisest place to be. Still, if that makes for a listless picture overall, anyone in search of a little excitement in the London market had only to go so far as the oil sector last week. Britoil, for one, was not giving in easily to the higher BP offer - where new cash terms are worth 500p a share.

As the week started, it appeared the oil independent still held out a slim chance of finding a "white knight," with British Gas rumoured widely to be a suitor. That, maintained Britoil, might be sufficient to cement giant Blue Circle and built up by US oil giant Atlantic Richfield, which last week was pledged - although not irrevocably - to BP. Together with BP's own 29.9 per cent, the Arco stake gives the bid a total of 18 times.

Arco had plans of its own, though. On Thursday it picked

up a 14.6 per cent interest in Tricentral (already under fire from French oil group Elf Aquitaine), paying up to 180p a share. On Friday, it declared that it had accepted the BP offer formally and was considering a bid for Tricentral. The net result was to send Britoil almost 20p higher on the week at 477p, and Tricentral up almost 30p to 180p.

Round at Birmid Qualcast, the lawnmowers, gas cookers and boilers group, events moved down a more predictable track. Improved bid terms from cement giant Blue Circle had been anticipated widely by the market - and on Tuesday, it got them. The new cash offer values the target at £275m, or 380p a share, which is almost double the pre-bid price and suggests an exit multiple of 18 times.

Nikki Tait

## COMPANY NEWS SUMMARY

| Company           | Value of bid | Market value | Price before bid | Value of bid | Market           |
|-------------------|--------------|--------------|------------------|--------------|------------------|
| Abaco Invest      | 73           | 74           | 54               | 191.73       | Bank & Comms     |
| Birmid Qualcast   | 380*         | 369          | 313              | 274.63       | Blue Circle      |
| Burgess Group     | 225          | 220          | 264              | 83.65        | W&A Group        |
| Chase Property    | 265*         | 271          | 253*             | 198.44       | Barclay & Thomas |
| Dea Corp          | 216          | 196*         | 172              | 1,918        | Punchy Prop.     |
| Est. Prop. Inv.   | 240*         | 246          | 230              | 58.19        | Barclay & Thomas |
| Freemans          | 1016         | 638          | 423              | 130.53       | Donnel Johnsen   |
| Freemans          | 315*         | 313          | 165              | 474.00       | Sears            |
| Jacksons Home     | 445*         | 444          | 438              | 9.45         | Select Cstry Ltd |
| Kingsley Forest   | 57           | 57           | 51               | 17.14        | Clasflet         |
| M.L. Electric     | 350*         | 338          | 250              | 206.49       | ITZ              |
| M&S               | 91*          | 113          | 33               | 24.43        | Debon Park       |
| Minet Hlthg.      | 475*         | 463          | 289              | 400.00       | St. Paul Co's    |
| Tip Top Drug      | 110*         | 107          | 120              | 12.76        | Wagworth Hlthg.  |
| Tricentral        | 160*         | 150          | 162              | 143.59       | E.L.F. Aquitaine |
| Vesta Electronics | 174*         | 172          | 147              | 13.31        | Northern Eng.    |
| Wagworth Cann     | 50*          | 50           | 443              | 4.80         | Fleetwood Comm.  |
| Wiggle            | 187*         | 210          | 156              | 14.61        | Bennett Foundn   |

## PRELIMINARY RESULTS

| Company      | Year | Pre-tax profit | Dividend  | Dividend | Dividend |
|--------------|------|----------------|-----------|----------|----------|
| Abaco Invest | Sept | 5,690          | (3,530)   | 30.2     | (17.6)   |
| Abaco Invest | Nov  | 1,019          | (615)     | 6.6      | (4.2)    |
| Abaco Invest | Oct  | 2,000          | (719)     | 6.6      | (4.2)    |
| Abaco Invest | Sept | 1,100          | (2,600)   | 12.0     | (11.9)   |
| Abaco Invest | Oct  | 307            | (117)     | 0.5      | (2.1)    |
| Abaco Invest | Nov  | 1,700          | (1,200)   | 49.8     | (36.8)   |
| Abaco Invest | Dec  | 169,700        | (117,400) | 3.7      | 0.2      |
| Abaco Invest | Jan  | 1,020          | (507)     | 37.1     | (32.2)   |
| Abaco Invest | Feb  | 1,470          | (1,610)   | 13.8     | (16.1)   |
| Abaco Invest | Mar  | 2,310          | (840)     | 11.6     | (8.6)    |
| Abaco Invest | Apr  | 1,220          | (691)     | 5.8      | (2.3)    |
| Abaco Invest | May  | 302            | (302)     | 5.3      | (5.9)    |
| Abaco Invest | Jun  | 2,450          | (2,030)   | 18.6     | (20.3)   |
| Abaco Invest | Jul  | 200,200        | (165,100) | 38.1     | (23.2)   |
| Abaco Invest | Aug  | 320            | (3,100)   | 1.3      | (1.3)    |
| Abaco Invest | Sep  | 14,060         | (1,500)   | 13.3     | (11.3)   |
| Abaco Invest | Oct  | 375            | (158)     | 3.0      | (0.5)    |
| Abaco Invest | Nov  | 208,300        | (164,100) | 58.2     | (45.4)   |
| Abaco Invest | Dec  | 1,280          | (806)     | 1.1      | (2.8)    |
| Abaco Invest | Jan  | 4,430          | (3,890)   | 39.9     | (26.3)   |
| Abaco Invest | Feb  | 5,710          | (1,650)   | 17.9     | (10.0)   |
| Abaco Invest | Mar  | 211            | (349)     | 1.1      | (2.8)    |

## INTERIM STATEMENTS

| Company      | Year | Pre-tax profit | Dividend | Dividend | Dividend |
|--------------|------|----------------|----------|----------|----------|
| AGB Research | Oct  | 4,390          | (4,410)  | 3.0      | (2.7)    |
| ACE Holdings | Sept | 102            | (102)    | 0.7      | (0.6)    |
| ACE Holdings | Oct  | 404            | (252)    | 0.7      | (0.6)    |
| ACE Holdings | Nov  | 118            | (173)    | 2.3      | (2.3)    |
| ACE Holdings | Dec  | 107            | (106)    | 1.3      | (1.3)    |
| ACE Holdings | Jan  | 466            | (107)    | 1.9      | (0.5)    |
| ACE Holdings | Feb  | 82             | (82)     | 8.0      | (5.0)    |
| ACE Holdings | Mar  | 13,370         | (8,690)  | 8.0      | (5.0)    |
| ACE Holdings | Apr  | 861            | (479)    | 1.7      | (1.7)    |
| ACE Holdings | May  | 376            | (78)     | 0.7      | (0.6)    |
| ACE Holdings | Jun  | 23,000         | (21,850) | 0.7      | (0.6)    |
| ACE Holdings | Jul  | 624            | (610)    | 4.0      | (3.8)    |
| ACE Holdings | Aug  | 11,400         | (8,010)  | 4.0      | (3.8)    |
| ACE Holdings | Sep  | 825            | (538)    | 2.5      | (1.3)    |
| ACE Holdings | Oct  | 1,009          | (1,220)  | 2.2      | (1.3)    |
| ACE Holdings | Nov  | 1,630          | (1,420)  | 0.33     | (0.3)    |
| ACE Holdings | Dec  | 1,45           | (132)    | 7.0      | (4.2)    |
| ACE Holdings | Jan  | 1,500          | (1,500)  | 2.5      | (0.5)    |
| ACE Holdings | Feb  | 8,108          | (4,400)  | 2.5      | (0.5)    |
| ACE Holdings | Mar  | 2,580          | (2,410)  | 0.5      | (0.5)    |
| ACE Holdings | Apr  | 4,900          | (3,800)  | 2.2      | (1.3)    |
| ACE Holdings | May  | 61             | (38)     | 1.2      | (0.9)    |
| ACE Holdings | Jun  | 1,430          | (829)    | 2.3      | (0.9)    |
| ACE Holdings | Jul  | 885            | (449)    | 1.2      | (0.9)    |
| ACE Holdings | Aug  | 1,040          | (1,110)  | 0.7      | (0.4)    |
| ACE Holdings | Sep  | 246            | (13)     | 0.7      | (0.4)    |
| ACE Holdings | Oct  | 179            | (17)     | 0.7      | (0.4)    |
| ACE Holdings | Nov  | 2,600          | (1,800)  | 1.5      | (0.3)    |
| ACE Holdings | Dec  | 23             | (23)     | 0.3      | (0.3)    |
| ACE Holdings | Jan  | 2,050          | (2,260)  | 1.7      | (1.3)    |
| ACE Holdings | Feb  | 289            | (210)    | 1.9      | (1.0)    |
| ACE Holdings | Mar  | 1,900          | (1,850)  | 1.2      | (1.0)    |
| ACE Holdings | Apr  | 49,400         | (11,720) | 1.1      | (0.7)    |
| ACE Holdings | May  | 2,330          | (760)    | 1.2      | (0.7)    |
| ACE Holdings | Jun  | 63             | (11)     | 0.5      | (0.3)    |
| ACE Holdings | Jul  | 30,000         | (25,200) | 0.7      | (0.3)    |
| ACE Holdings | Aug  | 276            | (184)    | 0.1      | (0.1)    |
| ACE Holdings | Sep  | 782            | (178)    | 0.1      | (0.1)    |
| ACE Holdings | Oct  | 2,080          | (1,785)  | 2.2      | (2.0)    |
| ACE Holdings | Nov  | 1,020          | (715)    | 1.5      | (0.8)    |

## RIGHTS ISSUES

Great Portland Estates are to raise £39m via a rights issue on the basis of £1 nominal for every four ordinary held.

Hovis Group are to raise to £14.5m via a one-for-three rights issue at 74p.

London Investment Trust have announced a one-for-one rights issue raising £21.5m in total expansion.

Pratt Holdings are to raise £2m via a one-for-six rights issue at 250p.

Sunair Cables are to raise £1m via a one-for-one rights issue at 40p.

Versum International are to raise £1.43m via a one-for-five rights issue at 15p.

## RESULTS DUE

| Company      | Announcement date | Dividend | Dividend | Dividend |
|--------------|-------------------|----------|----------|----------|
| Abaco Invest | Wednesday         | 1.2      | 0.8      | 1.2      |
| Abaco Invest | Thursday          | 2.8      | 2.8      | 1.7      |
| Abaco Invest | Friday            | 1.8      | 1.8      | 1.8      |
| Abaco Invest | Monday            | 0.7      | 2.8      | 0.8      |
| Abaco Invest | Tuesday           | 0.7      | 2.8      | 1.7      |
| Abaco Invest | Wednesday         | 11.0     | 2.0      | 1.7      |
| Abaco Invest | Thursday          | 1.2      | 1.2      | 1.2      |
| Abaco Invest | Friday            | 1.2      | 1.2      | 1.2      |
| Abaco Invest | Monday            | 6.0      | 6.0      | 6.0      |
| Abaco Invest | Tuesday           | 0.4      | 0.4      | 0.4      |
| Abaco Invest | Wednesday         | 1.8      | 1.8      | 1.8      |
| Abaco Invest | Thursday          | 1.2      | 1.2      | 1.2      |
| Abaco Invest | Friday            | 1.2      | 1.2      | 1.2      |
| Abaco Invest | Monday            | 1.2      | 1.2      | 1.2      |
| Abaco Invest | Tuesday           | 1.2      | 1.2      | 1.2      |

## BERKSHIRE

The Financial Times Proposes to Publish this Survey on the above on TUESDAY 23RD FEBRUARY 1988

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FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

# Nothing funereal about Hodgson

COMING TO THE USM is rather like an appearance on the front page of the newspapers or the 9 o'clock news. Overnight recognition is created for companies which otherwise would have remained more or less unknown.

USM companies tend to be followed closely by a small number of analysts, whereas a smaller company of the same market might well be covered only by its broker. All this, of course, puts them under greater scrutiny - and accountability, too.

Of the three funeral directors quoted on the USM - the others are Kanyon Securities and Great Southern - Hodgson has undoubtedly attracted the lion's share of the attention, with an aggressive acquisition policy. Since it came to the market in June 1986 it has been the UK's second-largest under-taker after the Co-op - it was the fourth largest.

On Wednesday, it beat City forecasts easily with an increase of nearly three times in pre-tax profits to £2.31m for the year to October.

Howard Hodgson, the managing director, says: "Funeral directing is a sleepy profession and something people are reluctant to talk about, so if you are less reticent you tend to stand out more. We decided to bring the business into public recognition when we came to the USM."

Hodgson takes his image seriously. The hearse will be midnight blue with Portland grey upholstery, while the pall-bearers will wear midnight blue and the offices will be decorated in the same colour. It is all part of the effort to get away from the Victorian undertaker image. The company has just negotiated a part-exchange deal for hearses with Volvo to replace its older fleet of Daimlers and Dorchesters.

A static death rate means

## HIGHLIGHTS OF THE WEEK

|                    | Price   | Change  | 1987/88 | 1987/88 |   |
|--------------------|---------|---------|---------|---------|---|
|                    | y/day   | on week | High    | Low     |   |
| FT Ordinary Index  | 1435.7  | +14.7   | 1926.3  | 1232.0  | Fluctuates narrowly in idle trade.        |
| Birmid Qualcast    | 369     | +30     | 375     | 139 1/2 | BCI increases offer to 800p cash.         |
| Britoil            | 479     | +20     | 480     | 160     | BP bid terms (500p cash) posted.          |
| Burgess            | 222     | -55     | 392     | 163     | RHP reduces terms of offer.               |
| Estates Prop. Inv. | 246     | +16     | 305     | 163     | Peachey offers 240p cash per share.       |
| Haynes Publishing  | 448     | +103    | 448     | 310     | First-half profits upsurge.               |
| KLP                | 280     | +23     | 512     | 196     | Record annual profits.                    |
| Land Securities    | 485     | +20     | 614     | 336     | Warburg Securities recommendation.        |
| RHP                | 189     | -34     | 281 1/2 | 138     | Lowers bid terms for Burgess.             |
| Racal Electronics  | 214 1/2 | -20     | 349     | 184     | Profits will not match best expectations. |
| Rothmans Intl.     | 415     | +27     | 489     | 177     | Takeover speculation resurfaces.          |
| Sedgwick           | 213     | -21     | 345     | 188     | Analyst lowers profits forecast.          |
| Share Drug Stores  | 325     | +73     | 325     | 210     | Takeover approach.                        |
| Smith New Court    | 168     | -20     | 381     | 149     | Another traded options loss.              |
| Tricentral         | 185     | +34     | 185     | 74      | Bid situation heats up.                   |

## Junior Markets

Hodgson is fairly dependent on acquisitions for growth. It bought five small businesses in the year and intends to add a further 15 to 20 in 1988. Finding these is easy at the moment as the funeral business is extremely fragmented. Several companies are family concerns, often in the hands of a younger generation which wants to sell out. An undertaker's life is hard - the hours are anti-social, costs tend to be high, and social prestige and career prospects are pretty low.

But the way in which Hodgson is stealing a march on its competitors is by a more efficient use of resources in the business it acquires. The company believes it can also increase returns above the existing level of £160 for each funeral by being more efficient. Branch offices, for example, already share expensive capital equipment. Local parlours provide the business, but administration and funerals are carried out on a more regional basis.

Hodgson has demonstrated

that sound management principles and good marketing can be applied to produce results to any type of business.

Sadly, the provision of services for the elderly who can no longer look after themselves has become one of the grubby businesses of the past decade. On Thursday, Sheppard's brought another such operator to the USM by way of an introduction. The company, Kunick, is one which readers might remember from its previous incarnations on the stock market and a somewhat colourful and volatile past.

Kunick, which is now valued at £35m, started out as the quoted fashion house Kunick Holdings. Its listing was cancelled in August 1978, restored in October 1979 and suspended in February 1981.

In January this year Russell Smith became chief executive, having reversed his own company, Music Hire, an amusement machine operator, into Kunick some months earlier.

So Kunick now has an unusual collection of businesses including fruit machines, such as sightseeing attractions as the London and York dungeons, and health care and nursing homes. Justifying the mix, Smith says: "Our philosophy is to provide a

quality service to the consumer. The basic point is that each of the companies is under the same management."

Amusement machines and dungeons are great cash cows, whereas nursing homes and sheltered housing eat heavily into working capital. But Kunick is also trying to develop home care for the elderly - something which, Smith says, is an unknown area in the UK market.

Nigel Reed, an analyst at Kitcat & Aitken, notes: "The main challenge for Kunick is to build up the potentially more profitable old people's care side to reach the group's objective of 25 per cent earnings growth each year, while some of the other businesses will just be motoring."

Despite many management and business changes, Kunick has had a good earnings track record. But it might be dogged by its name and its history - through no fault of Smith's. It will be some time before he can shake off the past.

A higher profile following a quotation on the USM can work in the company's favour, as Hodgson has found. But as Kunick could discover, it can work both ways.

Heather Farabrough

# Don't discount this Union

## Results Due

UNION DISCOUNT did not, as is its custom, reveal its profits as its interim stage, but did say that they were less than at the same period last year. So analysts are expecting full-year profits, when announced on Wednesday, to be down on last year's £10.8m, probably at around £8.4m.

However, there is a chance Graeme Gilchrist, Union's managing director, might produce better figures than most people expect. The second half has been more favourable for the discount houses, since interest rates have come down in the wake of the crash. And Union Discount, by deciding against becoming a gifts market-maker, has avoided the cut-throat and costly battle in that sector.

People often rate profits second to dividends as a reason for investing in the discount house sector. Because the interim dividend was increased to 17p from 11p to reduce disparity with the final, some analysts think the latter might actually be reduced to 26p from last year's 29p. That would still make a total of 43p, compared with last year's 40p. But other analysts think it more likely that the final dividend will be maintained.



Graeme Gilchrist, managing director of Union Discount

A festive contribution from Husbard Reader, supplier and installer of refrigeration equipment, bought for £14.5m in December 1986, should be valuable, while core businesses like Project Office Furniture are expected to continue strongly.

Refrigeration specialist George Barker might not have recovered from a drop in orders from Marks and Spencer, its main client, but Beantalk, the latest retail display equipment, should continue its first-half recovery to the end of the year.



Bullough's Derrick Battle

BULLOUGH, the engineering and furniture company which manufactures everything from desks to car jacks, is expected to reveal continued good growth with its results for the year to October.

Derrick Battle, the managing director, should be able to show

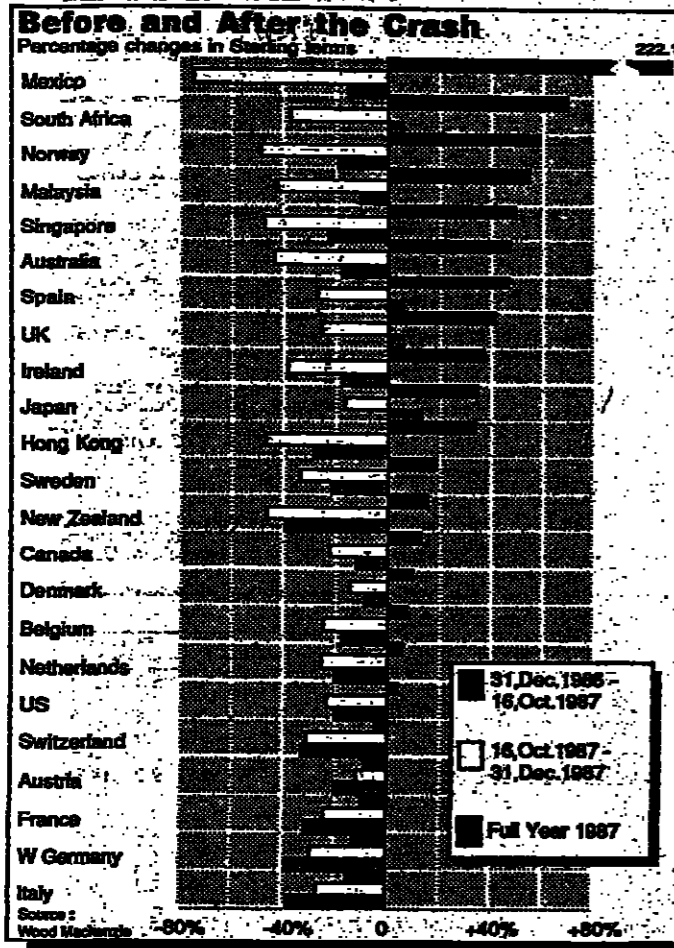
GLASS GLOVER, the fresh produce importer and distributor, should break through £2.8m pre-tax without difficulty when it reports next Friday on the year to September 30. This would represent at least a 20 per cent advance on the £2.33m profit in 1986-86.

The weakening dollar only helps Glass Glover and its fellow importers, as lower procurement costs rarely get passed fully down the distribution line. Although the tax credit in 1986-86 was one-off, the position was hardly any worse last year with analysts expecting a net charge close to nil.

The tax benefits follow from Glass Glover's heavy capital investment programme in 198

MARKETS

You can bank on Japan



THIS IS the time of year for accounting. Performance analyses are being made (and, they hope, justified) by fund managers for their trustees while the big security houses around the world are turning in figures for the last quarter and preliminary audits for the full year. All in all, it is a pretty sorry sight this time around and the October crash is, no doubt, a convenient if largely valid excuse.

Fund managers and trustees are seldom ideal bedfellows, and never more so than at times of performance assessments. Trustees tend to like benchmark indices as a measuring rule of thumb; managers in their reports often point to them selectively, where comparisons show up in a good light, but on the whole freedom outperform the indices - a point which an increasing number of managers recognise by building their portfolios to match the make-up of the indices. In that case, say the trustees, what is the point in having highly-paid professional managers?

The chart on this page tells it all. Before the crash most markets were doing nicely, although not quite on a par with the performance in Mexico where the rise (in sterling terms) was an extraordinary 222 per cent. The white bars show the meltdown across world markets, leaving only four countries with a year-end plus sign.

The quantitative analysts at UK broker Wood Mackenzie have shifted their thoughts

and the Japan index in local currency terms showed an increase of less than 1 per cent over the year; the sterling index figure was a little better, at 3.6 per cent.

So while Japan certainly was the right flavour of a bad year, international investors ignoring Japanese banks were out of the money. Japanese banks now form almost a quarter of the total Japan index and account for a massive 73 per cent of the banking sector worldwide.

And, of course, that vast financial muscle spreading worldwide does not cover the big securities houses, given Japan's own version of the US Glass Steagall Act. The big four of Nomura, Daiwa, Nikko and Yamaichi have been doing their own impressive reporting during the past seven days, albeit it for their financial year ending just before the October crash.

Each had record consolidated profits, in total some ¥1,329bn (\$2.6bn), despite generally poor performance by their US subsidiaries. The present year's figures will, of course, reflect the crash, yet each house is looking for a broadly similar performance at worst.

The story is a lot different on the American front. Merrill Lynch came in this week with a

|                         | £     | \$   | Local |
|-------------------------|-------|------|-------|
| Japanese Banks          | 48.9  | 85.1 | 42.8  |
| Japan ex Banks          | 11.6  | 41.4 | 8.5   |
| World ex Japan          | -2.2  | 15.0 | -0.9  |
| World ex Japanese Banks | -12.8 | 10.5 | -3.7  |

fourth-quarter net profit of just \$3.5m against almost \$188m a year earlier, yet 1987 as a whole was the company's second-best year ever at a net \$391m.

Shearson Lehman had even worse news - a fourth-quarter net loss of \$95m and an annual profit of just over \$100m against \$341m the previous year - but then, Shearson was among the unlucky houses left with British Petroleum underwriting.

And what of the present year? Global investment decisions will not be easy after the pain of 1987 when many funds were underweight in Japan and overweight in the United States. The immediate post-crash response was to run for home, foreigners being heavy sellers in Japan and Europe,

twin problems of the DM/\$ exchange rate and Bonn's apparent unwillingness to stimulate domestic demand.

Translated into numbers, this scenario points to a trading range of 375-450 for the FAZ Index over the next few months and, in France, a CAC General Index between 290-280.

Overall, the mood in most markets remained nervous throughout this week, but sentiment appeared just a shade less bearish. Fourth-quarter figures for the US economy held out the prospects of an improvement in the American trade balance after the relatively good numbers in November; the December returns are due for release on February 12.

An improvement in the trade balance could, of course, do wonders for the dollar; and while few in the markets are yet prepared to bet that the US currency has bottomed out, some optimists are emerging. Meanwhile, the speculators are fearful of being hit by more concerted central bank action.

Market sentiment can be fickle and often changes for no good or immediately apparent reason, but this week at least there seemed to be some encouragement in the air. Trading volumes, too, were on the increase, albeit from the dismal lows of recent weeks. But then, one or two swallows don't necessarily herald the arrival of summer.

Dominick Coyle

Beware the growling bear

THE MOMENT of truth is at hand. The present stock market rally could be the last opportunity for a bull run of indices before a serious bear market begins.

A serious bear market, as opposed to the sort of temporary correction seen in 1984 or 1982, is always associated with an economic recession. And in the next few days, the evidence of an imminent recession in the US economy has become harder to dispute. Let us examine those statements in turn.

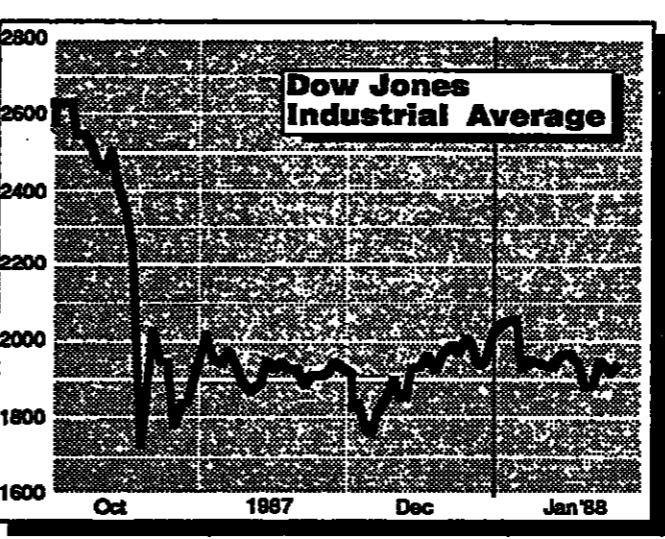
First, how can we tell of the start of a serious bear market when so many analysts seem to think that a bear market began last August when the Dow Jones Industrial Average peaked above 2,700, and culminated with the crash of October 1987?

Despite that 'crash' and the thousands of redundancies in the City of London and Wall Street, the 1,000-point decline in the Dow between last August and October cannot be described as a genuine bear

market. This means a long-term downward trend in stock prices that will do more damage than merely wiping out inflated paper profits accumulated during six months of bullish hysteria.

So far, that is all the bear has achieved. At around 1,950, the Dow today is still higher than it had ever been before January 1987. Even the post-crash low of 1,738.74, which the market re-tested in December, left a tidy profit for anybody who had bought shares before March 1986.

The bear's true goal is always more ambitious than this. He wants to cut into the flesh, not just the fat, of investors' assets; to see the bulls taking losses, not just foregone paper profits which they imagined they had built up. It will only be below



investors seem to believe, a first opportunity to step gingerly into a gradually recovering bull market, depends on the US economic outlook. Despite the oft-quoted saw that the stock market has predicted 10 of the past five recessions, there is in fact a very close correlation between major stock market moves and economic activity.

To judge by the behaviour of the financial markets in the past week, the economic background has become more reassuring. US interest rates are heading downwards. The Federal Reserve Board is determined to keep economic expansion going, albeit at a modest rate of 2 per cent a year or so. Yet the dollar appears to be stabilising, despite lower interest rates, as economic resources are transferred from consumption to exports and the trade balance improves.

In summary, exports are taking up the slack from consumer spending while the federal government plays a generally sup-

portive role in the economy - precisely the kind of policy background for which most economists have been calling since the October crash.

Unfortunately, a closer look at the GNP figures published this week for the fourth quarter of 1987 does nothing to bear out this optimistic outlook. The seemingly robust 4.2 per cent growth of GNP in the last quarter masked some alarming indicators for the economic future.

The total increase in GNP between the third and fourth quarter amounted to \$39.2bn (at the constant 1982 prices which are used in US official statistics). Almost the whole of this gain was attributable to a \$33.7bn buildup of inventories, the biggest stockpiling of unsold goods since the beginning of the last recession in 1981-82.

This hangover of stocks could have a dramatic effect on US output during the coming months, particularly in view of the really bad news contained in the GNP report. This relates to consumer spending, which also behaved worse in the three months since the crash than at any time since the 1982 recession.

Personal consumption spending fell by \$24.1bn or 3.5 per cent at an annual rate between the third and fourth quarters. The claim that this decline in consumption was somehow offset by net exports is simply not true. Net exports improved only by \$7.7bn, and while that figure reveals a rapid growth in US exports, combined with some slowdown in import demand, the fact is that the foreign sector of the US economy is nowhere near big enough to compensate for weaknesses in consumer demand.

In fact, the category of final demand which did most to off-

| Day       | 1986.45 | +42.94 |
|-----------|---------|--------|
| Monday    | 1986.45 | +42.94 |
| Tuesday   | 1986.45 | +42.94 |
| Wednesday | 1986.45 | +42.94 |
| Thursday  | 1986.45 | +42.94 |
| Friday    | 1986.45 | +42.94 |

Anatole Kaletsky

Pity the poor pension scheme trustee...

As a busy trustee you may find yourself asking the following questions:

- Do I want a pooled managed fund?
- Or a segregated portfolio?
- How can I be sure the fund managers I have chosen invest selectively enough to exactly match my needs?
- Does the team I have chosen compare favourably in performance terms with other groups?
- Has it performed as consistently well as they made out in their presentations?
- Will my fund manager keep me in touch with how the investments are performing on a regular basis?
- Will he be attentive, or will he spend all his time working for private clients and charities?
- How many other funds will he be managing?
- Will he give me contract notes?
- Valuations?
- Cash statements?
- Transaction statements?
- Is one fund management team enough - or should I have two or more?
- Do I want a small self administered scheme?

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**FINANCIAL TIMES**  
EUROPE'S BUSINESS NEWSPAPER

Barry Riley reports on the S&P/Fleming integration

# Better performance target

WILL THE integration of Save & Prosper into the parent merchant bank Robert Fleming bring about the beefing-up of S & P's decidedly pedestrian long-term investment performance?

That is likely to be the first question asked by unit-holders and intermediaries following this week's announcement that Fleming is to pay £70m for the 36 per cent of S & P which it does not already own.

The important point of the deal from the clients' view is not the shareholding change (S & P has already been a subsidiary of Fleming for several years) but the news that the investment departments of the two organisations are to be merged.

"I believe this will offer better investment performance to our unit-holders," says John Manser, chief executive of S & P. After the deal is completed in April he will be stepping up to become chief executive of Robert Fleming Asset Management, the combined investment operation which will look after a massive £24bn compared with the £4.2bn at present managed by S & P separately.

His replacement as Save & Prosper's chief executive will be Paul Bateman, at present marketing director.



Paul Bateman

The 35-strong S & P investment team, headed by Chris Tracey, will be moving into Fleming's elegant offices on Coptham Avenue where 115 Fleming investment managers already work. The idea is that S & P will be able to tap Fleming's research resources, while the opportunities in the longer term for training and career development will be much improved.

However, Tracey will continue to have a direct responsibility for S & P's 32 authorised unit trusts and other products,

and a team of managers will specifically look after the unit trust group's funds.

Bateman claims that S & P's investment performance has been "on the good side of average." He accepts that some of the UK funds have been unexciting "but overseas I think we are beating them all."

Being more than 60 years old, S & P inevitably has a number of big, mature funds which are unlikely to sparkle. It has, for example, the £270m investment Trust Units fund which is never going to head the short-term charts but could easily win a tortoise-and-hare race over a longer course.

So S & P, which promotes itself in its current TV advertising campaign as "the investment house," emphasises consistent long-term performance. "We aim for the top quartile, not the top ten," says Paul Bateman. "There are many niche houses offering spectacular performance in a few specialist areas."

Nevertheless, the overall performance of the group in recent years has not been particularly brilliant, although it is showing some signs of improvement. The latest survey of unit trust management groups, included in the February issue of Money Management, puts S & P in 38th

position according to one year performance; a considerable improvement on 1986 when it was ranked 61st.

Over a one year period, according to Money Management, 54 per cent of S & P's funds performed above the median of all funds, but over three years only 46 per cent were above median. In 1986 the comparable figures were 51 and 33 per cent, so the group has done better even if it is not amongst the leaders.

It is intended that Save & Prosper will retain its separate name and identity. It will continue to focus on retail-type products whereas Robert Fleming has operated in the institutional market for big clients such as pension funds and investment trusts.

However, there will be some tidying up in individual private client management services, where there are many degrees of overlap between Fleming's "high net worth" customer base and S & P's slightly less well-heeled clientele.

Elsewhere, bringing S & P totally within the Fleming fold will make it a little more simple for S & P to market banking products such as the high interest account and the Visa credit card which it already offers in association with Fleming.

# Home loans rise

MIDLAND BANK'S competitive thrust in the mortgage market has proved short-lived. It announced this week that it is raising its home loan interest rate from 9.75 to 10.3 per cent, effective from Monday.

The bank surprised everyone in December by suddenly cutting its loan rate, from January 1, from 10.5 to 9.75 per cent - well below the rate charged by other clearing banks at the time.

The bank said it had anticipated a further fall in interest rates. Instead it had stood for the moment at least, although the bank believes rates will fall over time.

The seasonal fall in mortgage business, the lower rate failed to attract much extra business for the Midland.

Cheapest mortgage rate available at present is 9.25 per cent, offered by various intermediaries on behalf of the Bank of Ireland, but currently rates appear to be hardening slightly in line with the trend in the money market.

For example, First Mortgage Securities is offering, from Monday, home loans at a fixed rate of 9.99 per cent guaranteed for two years. Its last fixed rate offer in January was at 8 per cent.

First Rate mortgage products are marketed exclusively by Sun Alliance and are available via independent brokers, intermediaries as well as agents for the insurance companies.

The loans are restricted to endowment or pension mortgages, and you pay a fee of £150 to secure an option on the money, as well as an administration charge of £150.

Allied Dunbar this week announced the introduction of a low start homebuyer version of its adaptable endowment plan. To help first-time buyers, contributions to the low start scheme are initially no more than 10 per cent of the loan, but increase by 25 per cent annually for the following four years.

Just less than a fortnight ago Mr Ken Maxwell, managing director of the strike-end-tio-

# John Edwards views a golden disaster area

## Lacklustre market

GOLD HAS not proved the traditionally safe haven for investors, especially in sterling terms, since the stock market collapse in October. In fact it has proved a bit of a disaster area.

The bullion price instead of surging above \$500 an ounce, as confidently expected by brokers forecasting increase demand for tangible assets, has fallen back instead. This week it weakened further, overshadowed by reports of a big gold-backed loan planned by Newmont Mining.

Shares of gold mining companies have fared even worse, hit by the failure of the bullion price to rise even in dollar terms, and the general collapse in the stock market.

One of the worst hit markets was Australia, where gold mining and exploration shares had soared on speculative buying, but then dropped in value by some 60 per cent after Black Monday. There has been a bit of a recovery since then but the Australian gold mining sector remains extremely depressed.

Nothing daunted the Tyndall

group has decided that now is the right time to launch a Pacific Gold Trust, which it claims is the first UK authorised unit trust investing solely in gold shares in Australia and the Pacific region.

Jonathan Bradley, Tyndall managing director, says that gold shares, which suffered worse than average in the Australian stock market debacle, now offer exceptional value. They provide an attractive

alternative for investors wanting to get into gold but unwilling to buy South African stocks.

Not everyone would agree with that view. Some analysts consider that Australian gold stocks are still over-valued and there is obviously a large element of risk, bearing in mind the volatile nature of the Sydney market. This is recognised by Tyndall who are deliberately not having a fixed price offer for the fund; it will be available at 50p a unit on the launch date (Monday) and after that will be adjusted on a daily basis.

Coinciding with the launch Tyndall is running a Gold Digger competition in which contestants are asked to write why they consider the Pacific Basin offers exceptional opportunities for investing in gold. The winner will receive a fortnight's holiday in Australia including a visit to a gold mine. You can enter the competition, even if you do not invest in the fund. It is open to all to avoid being viewed as an inducement to invest.

Stagnant gold prices. By last year's fourth quarter ten of the country's 14 major mines were unable to generate profits which covered their necessary capital expenditure. Nor, in these early days of 1988, is there much hope of a gold price rise coming to the rescue of the ailing mines.

Johannesburg stockbrokers fear gold will remain under a cloud while the world remains pre-occupied with looming recession. As long as fears of recession outweigh fears of resurgent US inflation the dollar's collapse is unlikely to lead to corresponding dollar-gold price increases.

Snatching at straws, one stockbroker expects the South African Reserve Bank to allow the rand to drift down against the dollar. The managed decline will be calculated to give a rand gold price rise which simply covers the mines' operating cost increases.

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Taking that a step further, the fighting at Randfontein may well be an extension of the deadly battle for supremacy in Natal between the predominantly Zulu Inkatha movement and the United Democratic Front (UDF). If this is the case, and it is largely speculation at this stage, the mines face a forlorn year if the UDF-affiliated NUM and Uwezo (United Workers' Union of South Africa), Inkatha's union offshoot, compete for members on the gold mines.

It's not a prospect the mine-owners' return-to-work demands and replacements were apparently largely recruited in Kwa-

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FINANCE & THE FAMILY

David Waller on a cautious note for investors

# Small pitfalls

SMALL COMPANIES can grow far more rapidly than the unwieldy dinosaurs. A company with sales of £5m is able to double its size with greater flexibility than a Hanson or an ICI and share prices will reflect this.

Statistics from stockbrokers Hoare Govett support this case. While the main market mirrored an advance of just 8 per cent last year, an index of 1,200 small companies advanced by 21 per cent. Small company shares outperformed the market by 13 per cent last year, despite the October crash.

Nevertheless, small investors should resist the temptation to invest everything in small companies. The problem is that a small company's share price as indicated in a newspaper or on a screen is frequently alarmingly at odds with the price a buyer would have to pay for those shares if he bought some, or what he would achieve if he sold.

Marketability is the great loser. For a share to be bought that does not qualify as alpha or beta, the price quoted by a market maker need be no more than indicative. In practice, such prices are often meaningless. In small companies, orders of any size in one direction or another will either be wholly impossible to execute or will bring about massive movements in the share price.

This difference between theoretical prices and real prices is not a post-crash phenomenon. It is neatly illustrated by the case of George Ingham, an obscure, worsted spinner with

sales of £2.5m a year. Early in October last year, Ingham's shares jumped from 6 1/2p to 180p. It took only one transaction in the shares to bring this about, but it was the first in four years. All that time the price quoted in the papers had stayed at 6 1/2p - sitting on a P/E ratio of one and yielding 50 per cent - because no shareholder had consented to sell a single share.

Another pre-crash example. A set of new placing rules, introduced in the autumn of 1986 to coincide with Big Bang, had the effect of inducing paralysis in the shares of those companies coming to the market last year. The rules made it cheaper and easier for companies to float by means of a placing, and all but impossible for investors to buy shares at the issue price.

Last year, 75 companies joined the Unlisted Securities Market (USM). Of these, only four consented to make their shares generally available to the public by means of an offer for sale. Most of the rest opted for inducing paralysis in the shares of those companies chosen directly with a group of chosen investors.

Everyone else was obliged to buy in the inflated aftermarket, where shares in those companies which made their debut before Black Monday enjoyed an average premium of 28 per cent in first-day dealings. Few of the pieces would sell their shares and, under the new rules, market makers were allowed only an infinitesimal amount of stock for their books. As a result, the market in many smaller company shares was ossified by inertia.

The situation has worsened considerably since Black Monday. "No-one knows what the price is any more," comments Philip Henderson, fund manager at Ensign Trust. Alan McFarlane of Ivory and Sims concurs: "There is no liquidity. The market in small company shares has seized up."

This depressing scenario is borne out by statistics from the Stock Exchange, which show that market makers responded to post-crash turbulence by cutting the size of their quotations and widening their spread - the gap between their bid and offer prices.

Between October 19 and November 13, the Stock Exchange reports that the average "touch" for gamma stocks - the difference between the best bid and the best offer among all the market makers in a given company's shares - doubled. At the same time, the average quotation size fell by two-thirds.

This made it more difficult to deal and had a dramatic effect on both turnover and bargain size. On the USM, the average daily number of transactions conducted in the last quarter of 1987 was 2,361 - nearly half the average daily rate of 5,121 bargains in the third quarter. Similarly, the average daily value of USM transactions fell from £33.7m in the third quarter to £2.7m in the fourth.

The Third Market - the home for the very smallest of companies, which celebrates its first birthday on Tuesday next week - has enjoyed a yet more severe contraction of business. In the week beginning October 9 last



## Know the risk

ALL UNIT trust promotional material carries a standard warning - which has proved especially relevant since October - that the "value of units can go down as well as up. But Gartmore, following the example of some insurance companies, is taking the warning a stage further by giving an across-the-board risk rating to its 30 authorised unit trusts.

Each trust has been given a number from one (low risk) to four (very high risk) so that you can judge quickly what you are letting yourself in for - a gamble with a high risk/reward or a safer bet that is likely to give a relatively low return.

Peter Pearson Lund, managing director of Gartmore Fund Managers, says the idea of introducing a risk-rating system was triggered by the take-over last year of the Oppenheimer range of funds. These tended to be managed more aggressively, offering a high risk/reward ratio, while the Gartmore funds were fairly conservative in terms of portfolio weighting and pure volatility.

So it had been decided to clarify the choice of funds offered by the merged group by using a simple visual device (a triangle sign) and a number indicating if the fund was low, medium, high or very high risk. Lund noted, however, that investors and financial advisers could have differing views to Gartmore on the risk classification.

Funds with a low risk rating are Extra Income, Fixed Interest, High Income, Income, International Fixed Interest and Practical Investment. Medium risk are American, British, European, Far Eastern, Global Income and Growth, Global, Hedged American, Japan, Managed Exempt and Worldwid Recovery.

High risk are Commodity Share, European Selected Opportunities, Frontier Markets, International Selected Opportunities, Japan Selected Opportunities, Oil & Energy Trust, Pacific Growth, Special Situations, UK Smaller Companies, UK Selected Opportunities and American Selected Opportunities. Very high risk trusts are Australian, Gold Share and Hong Kong.

John Edwards

| FT READERS ( GREAT INVESTMENT ) RACE                 |  |               |                |              |
|--|--|---------------|----------------|--------------|
| Portfolio of five shares chosen from FT-SE 100 under | Listed number of share from FT-SE as shown in accompanying table |               |                |              |
|  | March 31, 1988   | June 30, 1988 | Sept. 30, 1988 | Dec. 9, 1988 |
| Entry number (Do not use)                            | Estimate of FT-SE 100 Index at .....                             |               |                |              |
| Name   | Address  |               |                |              |

## Last chance to enter

FT-SE 100 Companies with prices as quoted in the December 10, 1987 issue of The Financial Times

- |                                      |                                  |
|--------------------------------------|----------------------------------|
| 1. Amstrad Consumer Elecs. (115)     | 51 Imperial Chemical (£10 1/4)   |
| 2. Allied-Lyons (329bd)              | 52 Jaguar (275)                  |
| 3. Argyl Group (178bd)               | 53 Ladbrokes (314)               |
| 4. Assoc. British Foods (300)        | 54 Land Securities (440)         |
| 5. ASDA-MFI (159)                    | 55 Legal & General (249)         |
| 6. BAA (90xd)                        | 56 Loyds Bank (233)              |
| 7. BAT Inds. (411)                   | 57 MEPC (429bd)                  |
| 8. BET (221bd)                       | 58 Marks & Spencer (177)         |
| 9. BOC (378)                         | 59 Maxwell Communications (206)  |
| 10. BPB Inds. (237bd)                | 60 Midland Bank (362)            |
| 11. BTM (270)                        | 61 Nat. West Bank (533)          |
| 12. Basing Bank (445)                | 62 Next (282)                    |
| 13. Bass (785xd)                     | 63 P & O (479)                   |
| 14. Beecham (429)                    | 64 Pearson (835)                 |
| 15. Blue Arrow (88)                  | 65 Pilkington Bros. (197)        |
| 16. Blue Circle Inds. (304)          | 66 Plaxey (137xd)                |
| 17. Boots (223)                      | 67 Prudential Corp. (788)        |
| 18. British & Commonwealth (282)     | 68 Racial Elecs. (214 1/2)       |
| 19. British Aerospace (318)          | 69 Rank Organisation (511)       |
| 20. British Airways (138)            | 70 Rank Hovis (306)              |
| 21. British Gas (127)                | 71 Reckitt & Colman (748)        |
| 22. British Petroleum (250)          | 72 Recland (389bd)               |
| 23. British Telecom (206)            | 73 Reed (368)                    |
| 24. Britvic (277 1/4)                | 74 Reliance (417)                |
| 25. Bunnings (157)                   | 75 Rio Tinto Zinc (323)          |
| 26. Burton (224)                     | 76 Rolls Royce (105)             |
| 27. Cable & Wireless (315xd)         | 77 Rothmans (372xd)              |
| 28. Cadbury Schweppes (237)          | 78 Rowntree (400)                |
| 29. Costa Vytella (248)              | 79 Royal Bank Scotland (323)     |
| 30. Commercial Union (325)           | 80 Royal Insurance (373)         |
| 31. Consolidated Gold Fields (883)   | 81 Sainsbury (222bd)             |
| 32. Cookson Group (461)              | 82 Sears (148 1/2)               |
| 33. Courtauld's (338bd)              | 83 Sedgwick (189)                |
| 34. Decca Corp. (160)                | 84 Shell Transport (985)         |
| 35. Dixons (207)                     | 85 Smith & Nephew (135)          |
| 36. English China Clays (375)        | 86 Standard Chartered Bank (463) |
| 37. Fisons (243)                     | 87 Standard Tel. & Cables (210)  |
| 38. General Accident (788)           | 88 Storehouse (240)              |
| 39. GEC (156)                        | 89 Sun Alliance (770)            |
| 40. Glaxo Holdings (£10 1/4)         | 90 TSB (107)                     |
| 41. Globe Invest. Trust (126)        | 91 Tarmac (208)                  |
| 42. Granada (282)                    | 92 Tesco (151)                   |
| 43. Grand Metropolitan (403)         | 93 Thom Emi (562)                |
| 44. Great Universal Stores (£10 1/4) | 94 Trafalgar House (238bd)       |
| 45. Guardian Royal Exchange (775)    | 95 Trusthouse Forte (199)        |
| 46. Guinness (274)                   | 96 Unilever (460)                |
| 47. Hamson Properties (440)          | 97 United Biscuits Hlids (255)   |
| 48. Hanson Trust (121 1/2)           | 98 Wellcome (377)                |
| 49. Hawker Siddeley (410)            | 99 Whitbread & Co (274)          |
| 50. Hilldown (250)                   | 100 Woolworth Hlids (261)        |

THIS IS your last chance to enter the FT Readers' Race, run in conjunction with the Great Investment Race. The official closing date is tomorrow - January 31. But bearing in mind that the whole object is to benefit charity, we will accept entries posted this weekend.

You can send as many as you like but you must include a cheque or postal order for £10, made out to Charity Projects, with each one. They all provide extra funds for Charity Projects to allocate to charities helping young people who are disabled, homeless or suffering from drinks or drug abuse problems.

This year Prudential/Holborn, sponsors of the race, have generously doubled the first prize to £5,000 worth of Holborn unit trusts. The Financial Times is also contributing, in its centennial year, quarterly prizes for entrants in the Readers' Race who have the best-value portfolios at the end of March, June and September.

Bearing in mind the number of entries received already, it is expected that the estimates of the FT-SE 100 index on the dates, shown on the entry form, will be a crucial factor in deciding the winners.

It is assumed you have £55,000 to invest in tranches of £11,000 each in a portfolio of five shares from those in the FT-SE 100 index that are numbered in the accompanying table. The idea is to select the ones you think will provide the best return by the end of the race in December. The best return includes dividends as well as any rise in capital value.

When completed, post the entry form immediately to the Financial Times, Bracken House, 10 Cannon Street, London EC4A 3DF, and be sure to mark the envelope FT Readers' for easy identification.

## A trust by any other name...

Christine Stopp reports on the merger king of the unit trust industry

THERE ARE no longer any unit trusts in the name of County, the NatWest's former unit trust group, which became the new brand of MIM Britannia in September last year.

Following the NatWest decision to be an independent intermediary, rather than a tied agent under the new financial services regime, it became inevitable that the bank's unit trust group would go, since it relied on bank branches for the vast majority of its sales.

MIM Britannia, is possibly the merger king of the unit trust industry. Born when Slater Walker Trust Management bought out the Equitable unit trusts in October 1974, quickly followed by the National Group of trusts in early 1975, the group went from nine to 44 trusts over two or three months just as the bear market turned

round. After the demise of the Slater empire, it was relaunched as Britannia in 1977.

The 1980s have seen the acquisition of the Schlesinger Group and, in late 1986, a reverse takeover by the MIM group. Britannia by that time had a reputation for being market-making rather than investment-led, with performance in the doldrums. The MIM team was seen as having a much better performance record (though it had only been running its own trusts for a year or two) and the merger, when MIM became the dominant partner as far as investment philosophy was concerned, was expected to pep up Britannia's image.

With all this activity in its history, it isn't surprising that MIM Britannia prides itself on having a high level of efficiency when it comes to merging funds. Mergers are a fact of life when you gain funds by acquisition on this scale. Marketing director Keith Crowley reckons that if the Britannia group had never

### Britannia Arrow (formerly County) and MIM Britannia trusts compared.

(figures show results of £100 invested offer to bid, income reinvested for periods to 4.1.88)

| Since:                    | 1.7.87 | 1.1.87 | 1.1.85 | 1.1.83 |
|---------------------------|--------|--------|--------|--------|
| BA Extra Income           | 77.1   | 116.5  | 180.1  | 304.7  |
| MB Extra Income           | 85.6   | 116.8  | 174.8  | 227.5  |
| BA International Recovery | 69.6   | 100.9  | 132.2  | 187.9  |
| MB International Recovery | 68.2   | 80.3   | 122.0  | 222.2  |
| BA North American Growth  | 62.9   | 77.2   | 95.3   | 116.4  |
| MB North American Growth  | 62.8   | 69.1   | 89.3   | 130.4  |
| BA Japan Growth           | 78.0   | 100.3  | 252.0  | 384.8  |
| MB Japan Performance      | 82.1   | 89.0   | 179.4  | 330.6  |

Source: OPAI

merged a fund, it would now have 95 trusts.

The Department of Trade and Industry would, of course, long since have cracked down to prevent the group and its trusts with overlapping objectives. The County merger is at the moment on hold, since funds will not actually start to be merged until the summer.

In the meantime, they are being run by the MIM Britannia fund managers, but under the label Britannia Arrow. (It was part of the takeover deal that MIM Britannia should promptly cease to use the County name.) Unlike the last two mergers, looked at in previous articles, this one involved only the funds; no investment management staff went over to Britannia, and the leading figures at County have mostly moved to other organisations.

Unit holders are not consulted about takeovers between management groups, which may seem odd, since it is their money (or perhaps they should say the fee income on their money) which is being banded about. In this instance, MIM Britannia saw redemptions of about £10m in October, and since then they have run at £2m to £3m a month. Crowley feels that this is an acceptable degree of leakage, especially in the light of the crash.

The unit holders will eventually be consulted about the mergers between County and MIM Britannia funds. Crowley expects the takeover to add only two or three trusts to Britannia's existing list of 34. He points out an interesting anomaly of Britannia Arrow (the former County) trusts with similar objectives. The Britannia Arrow funds are generally the better performers, although in several cases the margin is not turned on its head. For MIM

Britannia it will be cheaper to merge the County funds into its own trusts, because of the relative positions of the two groups' trusts in terms of investment objectives and its identity, even if it has a strong performance record.

It is not surprising that MIM Britannia is in cost-conscious mood; it paid £41.5m for County's £400m funds immediately before the October crash in the stock market - a price regarded by many commentators even at the time as excessive. In today's conditions, after the crash, paying 10 per cent of funds under management looks a very fancy price to pay indeed.

As to whether the group got good value for its money, "only time will tell if we can get the funds organised and make it work," says Keith Crowley. Two funds which MIM Britannia has selected, Oil & Energy Trust and Pacific Growth, are generally the better performers, although in several cases the margin is not all that great.

The accompanying table compares the performance of a small selection of MIM Britannia and Britannia Arrow (the former County) trusts with similar objectives. The Britannia Arrow funds are generally the better performers, although in several cases the margin is not all that great.

## For professionals

An exciting new fund is being launched. Eric Short reports

IT IS either feast or famine with Royal Life Fund Management when it comes to launching new unit trusts.

Last summer, there was massive media coverage when the group spent nearly £6m on its so-called Royal Event to launch three rather run-of-the-mill trusts.

Yet next week the company is launching its latest fund - the Emerging Companies Trust - with barely a whimper. This fund looks to be a far more exciting prospect than those in the Royal Event but it is aimed at the experienced investor and independent professional financial advisers, not the general public.

According to Royal Life Fund Management, there are three big plus points for the fund: 1. Following the October crash, this could be a good time to invest. The brochure refers to past experience that when the market does turn, it has moved up very fast.

2. Smaller companies have overall given a better return than large and medium sized companies. (Opal Statistics unit trust performance figures

show that the average smaller company trust had a 2.3 per cent growth last year and 163.3 per cent over five years compared with a decline of 1.7 per cent last year for the overall average for unit trusts and growth of 126.9 per cent over five years).

3. The expertise and investment record of fund manager Edward Bowman in handling emerging company funds.

The glaring omission in promoting the Royal Event was in providing details on the underlying investment performance. However, when marketing to experienced investors, the underlying investment aspects must be given prime consideration. This is why Royal Life Fund Management has not held back in providing details.

Bowman's investment experience has been concentrated on smaller companies. Investors need to remember that while growth prospects of these funds are good, unit prices are highly volatile and a bumpy ride can be expected.

Minimum investment is £500 while charges are 5.25 per cent initial and 1 per cent renewal. The offer price is 50p, held until February 24, with discounts of 1 per cent for investments of more than £2,500 and 2 per cent for those of at least £10,000.

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Some pension plans penalize you if you retire earlier than you originally intended to. Some, if you don't want to commit yourself to paying identical contributions every year.

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Over the last 11 years this magazine has compiled 22 tables surveying 10 and 20 year regular contributors with profits plans. The Equitable has been top in twelve and second in four more. No other company has even approached this remarkable record.

In your company's pension scheme? If your company pension will be less than two thirds of your final salary you may be able to top up your pension. And again our results are just as impressive. For instance, if you had retired aged 65 on 1st May 1987 with an Equitable 10 year "with profits" top-up plan your fund would have been worth 57% more than with the lowest performer.

Over the years, in Planned Savings' surveys of 10 year regular contributors with profits pension plans, the Equitable has not only topped the charts more often than any other company.

Of course the past cannot guarantee the future, but for outstanding results without any of the hidden traps, cut out the coupon or speak to us direct on 0296 26226.

\*Planned Savings Survey (July 1987) of regular contributors with profits policies. Because of the form of current pension arrangements, the schemes are not presently available to Civil Servants or employees of local government or nationalised industry.

The Equitable Life, FREEPOST, Wellesley Street, AYLESBURY, Bucks MK21 79R. Full details further details on The Equitable's retirement plans.  I am self-employed;  I am an employer not in a company pension scheme;  I want to top up benefits from my company's pension scheme.  I would also welcome details on retirement plans linked to top-up investment funds.

Name (Mr/Mrs/Ms/Ms) \_\_\_\_\_  
Address \_\_\_\_\_  
Postcode \_\_\_\_\_  
Date of Birth \_\_\_\_\_

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Please send me the Explanatory Memorandum for MIM Britannia Jersey Gilt Fund Limited on the terms of which share applications will be considered.

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ADDRESS \_\_\_\_\_

\_\_\_\_\_

FT 30 1

FINANCE & THE FAMILY

### Donald Elkin on property rental problems Let there be light

FOR MOST British expatriates, payment of UK income tax is purely voluntary. The income which their capital generates can be put beyond the reach of the UK Inland Revenue by the simple expedient of investing it overseas.

This happy position does not, however, apply to profits from letting property in Britain. That is taxable whether it arises from the casual renting of your own home or from a substantial property letting business.

Unfortunately, piecemeal enactment of the law has resulted in different rules being applicable according to whether your income arises from unfurnished lettings (Schedule A); furnished lettings (Case VI of Schedule D); or from a property letting business - including furnished holiday lettings as defined (when Case I of Schedule D applies).

The result is a situation which is both highly confusing and a fertile source of argument between the taxpayer and the Inland Revenue.

Typical of the confusion are the rules relating to interest expenses. The legislation sets these out in great detail for the purposes of Schedule A but, in

total contrast, gives no guidance at all for Case VI of Schedule D, stating merely that tax is payable on "the full amount of the profits or gains arising in the year of assessment..."

Different rules relate to businesses. These approach the matter from the standpoint of what cannot be allowed - that is, anything which is not "wholly and exclusively laid out or expended for the purposes of the trade..."

Nevertheless, certain general principles can be identified, whatever type of letting is concerned. For example, you can deduct against the rent received all outgoings of a revenue nature including maintenance, insurance, repairs, rates, ground rent and gardening as well as agents' and accountancy fees.

You can also set off interest on loans used to buy or improve the property provided that it is let at a commercial rent for more than 25 weeks in any 52-week period, the balance of the time being either available for letting, under repair or lived-in by you as your residence.

Normally, interest relieved under the Miras (Mortgage Interest Relief At Source) scheme cannot also be charged



in your letting account. But since the Miras maximum is £30,000, that should not prevent your claiming the excess interest on larger loans.

In the case of furnished lettings relief for the cost of furniture is also available, either by setting off the cost of replacements or, alternatively, by means of an annual allowance of 10 per cent of the gross rent, less rates and the cost of any other services borne by the landlord (electricity, telephone etc). This will cover not only long-life furnishings (furniture and carpets) but short-life furnishings (linen and crockery) and fixtures (cookers and washing machines).

Businesses, which generally speaking can claim a wider range of expenses than other types of letting, have the further option of claiming "capital allowances" for all but short-life furnishings. This involves writing down the cost (and in later years the reduced balance) at 25 per cent per annum.

It follows that if your property is not let (or available to be let) throughout the year, apportionment on a time basis will be necessary in relation to many expenses including such things as rates and insurance.

© Donald Elkin is a director of Wilfred Fry of Worthing.

### Worthless shares

I am writing to ask for your assistance in establishing a loss for capital gains tax purposes.

In June 1984 I bought 2000 shares in a company called Flair Resources but the shares were later suspended from the USM. I have heard nothing from the company and do not know of its address and now presume the shares are worthless. However, the inspector of taxes requires proof that this is so.

Would you please let me know if the shares are worthless so that I may convince the inspector to let me know any other tips I might take.

No doubt you have seen our warnings against premature claims that shares have become of negligible value - the general rule being that you should not submit such a claim in a year in which the prospective allowable loss is not required to offset current chargeable gains in excess of the exemption limit and that such claims should be submitted only in the first two or three days of April (in order to secure maximum indexation, while ensuring that the claims reach the tax inspector on or before April 5).

We take it, therefore, that you submitted the claim in question on April 1 or 2 last year (in order to reach the inspector on Friday, April 3), and that you have potentially taxable capital gains for 1986-87 which you wish to cover by the loss claimed.

That being so, why not ask the broker through whom you purchased the shares for information about the company? (This answer does not imply any opinion as to the value of your shareholding, of course).

As to your main query: if you order through an intermediary you have a contract (usually oral) with that intermediary. You can therefore be required to pay provided the units you have ordered are available. If only different units are available the contract will have been frustrated, and cannot be enforced by or against you.

### Nasty shock

I moved into my present home some eight years ago, prior to which it had been a hairdresser's shop. I converted it to a private residence.

It now turns out that I have been on commercial tariff for electricity all this time due to no fault of my own or the electricity board as neither of us was aware of the situation. The question is, am I entitled to a refund? The board says no as the situation is not its fault. The electricity committee apparently agrees. I say the board has some of my money to which it is not entitled, even though this might well be my own fault for not telling it.

As you did not inform the electricity board of the change to residential occupation, you took up a contractual obligation to pay the commercial tariff. Accordingly, you cannot recover from the board the difference between what you have paid and what you would have been charged on a domestic tariff.

### Unit trust payments

I bought units in a few funds through a financial intermediary before the crash. I have not as yet paid for the units and therefore the units are not registered. I have received the usual contract rates. Often in the past I was told by this intermediary and another that managers will cancel the units unless I send the payment soon. Once this happened, after reminders from me, realised after two months that he forgot to order the units. By this time the units went up by 30 per cent but he refused to compensate me because the units were not paid.

Considering unit trusts funds are open-ended and managers can sell the funds without consulting unit investors, unlike shareholders, I believe that if I refuse to pay for the units the intermediary management groups concerned have no chance of recovering their money, as I have not signed any contract with the intermediary. Is this true?

The manager's past failure to compensate you over the 30 per cent increase on his failure to order the units appears to have been unjustified: if the manager is a member of FIMBRA, you should ask that body to take up the matter with the manager.

### A point of interest

I seem to remember reading in your column that if a solicitor holds a client's money for a length of time, then he is obliged to pay interest to the client.

On April 23 last year I gave my solicitor a cheque for £7,700 as a deposit on a flat I was buying. He sent this to the vendor's solicitor with instructions to hold it for me, fully expecting to exchange contracts in a couple of days. It then transpired that there was a small technical disorder to the lease, although the expectation was that this would easily be cor-

### Copying lost deeds

My wife and I have been sole owner-occupiers of our bungalow since it was completed in August 1972. Unfortunately, despite lengthy enquiries by us and a solicitor, our deeds have been lost in this period. We are not entirely happy with the efforts of the solicitor to reconstruct some deeds, which we feel could have been achieved within the 10 months or so that he has acted for us.

Could we, on our initiative, tackle reconstruction of the deeds without the services of a solicitor and, if so, what is the procedure? One of our neighbours has also been the sole occupier of his bungalow since its completion in April



No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

1972, so it would be possible to borrow his deeds for copying. Both properties involved the same developer and builder.

While it is possible for you to effect your own reconstruction of the lost deeds, there are numerous technical difficulties and pitfalls which might arise and that makes it far wiser to have this done by a solicitor. If your solicitor is dilatory, get another.

### A minor matter

Is it possible for a child under the age of 18 to own property? Could he purchase a house, or could a house be purchased and be held in trust for him by, say, his parents? What would be the taxation situation regarding capital gains in the latter case?

Yes, in the case of personal property (chattels etc) but not in the case of real property (land), except that a minor can own a beneficial interest in land. Hence, two or more people of full age can hold a house in trust for a minor, but the minor's name cannot appear on the title. All taxes would be due from and payable by the trustee.

### Golfer's lament

About three months ago I was invited to a company golf day at a leading local club. As I returned to my car at the end of the day, a ball narrowly missed me and damaged my car sunroof.

It transpired that the mis-hit shot had come from the practice ground which runs parallel to the car park. The only player practising came to see the damage done and, without apology, suggested I supply estimates for the work to be done.

The eventual repair work cost £86 and I was reluctant to claim on my company car insurance because this carries a £50 excess. So, the receipts and invoice were sent to the golfer in question.

I received a reply from his insurer claiming that client was not liable and that the club was responsible. Unfortunately, the club has now dissolved responsibility also and suggested I take the matter up with the member to claim on his golfer's insurance (I understand no golfer's policy exists).

I am now confused as to who is responsible and wish to pursue a claim as a matter of principle. So much for golfer's being gentlemen!

The individual golfer remains liable, whether or not he is insured. You can bring proceedings against him in the small claims court.

### Some pride amid the prejudice

HOW DID the stock market crash in October affect the really long-term investor? In August, the Weekend FT featured articles by "Academic Investor" explaining the long-term philosophy used to manage an investment portfolio on behalf of an Oxbridge college with the aim of a satisfactory result in real terms for the next century.

This week, Academic Investor assesses the impact on the college portfolio of one of the biggest collapses ever in share price values.

ONE FEATURE of the simple system that has proved so satisfactory results in real terms to the college portfolio over the past 34 years is that changes in investments are considered only once a year.

Human impatience, however, leads us to have a noisy satisfaction just to see how things are going. Short-run changes in market valuations are no use as a guide to prospects for the next century, so no action is taken whatever the results. But if they look good, investors cheered (however irrationally),

while if they look bad we can stress their unimportance.

This year's mid-year review, covering the six months to December 31, was of special interest since it included Black Monday and the further subsequent decline in the markets.

As expected, in a simple sense the valuation looked bad. The unit value depreciated by 12 per cent, from June to December. But our amateur pride was comforted by the larger falls suffered by the FT 30-share index (down 23 per cent), the FT-SE 100 index (25 per cent) and the All-Share index (25 per cent).

The income figures were decidedly more cheerful. On an annual basis, the income from our unit of holdings for the half-year was 12 per cent above 1986/87. What is more, at 5.3 per cent of the end-year valuation it was well above the comparative yield on the three FT indices.

Looking at the valuation in more detail, the depreciation on our UK equity holdings was, in fact, 21.5 per cent. The portfolio as a whole gained by

starting with 16 per cent in fixed-interest securities, which depreciated in value by only 1 per cent. However, the portfolio lost by having 14 per cent in North American equities where the depreciation (in sterling terms) was 28 per cent.

Assessing the decisions made at the annual review of the portfolio, we gained clearly from the policy of making net sales of equities and increasing purchases of fixed-interest securities. hindsight says we should have made a much bigger switch; but our motive at the time was simply to adjust the long-term balance of the portfolio to deal with the large reverse yield gap. This weakened our traditional preference for a big preponderance of "real" assets.

While the decision to reduce equity holdings turned out well, the choice of which main shares to sell has proved unfortunate, taking the very limited six-month view.

We sold the whole of both our holdings in investment trusts specialising in Japanese stocks on the ground that Japa-

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### BRIDGE

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|   |          |            |
|---|----------|------------|
|   | N        |            |
| ♠ | K 5      |            |
| ♥ | A 7 5    |            |
| ♦ | A 7 4    |            |
| ♣ | 9 5 3 2  |            |
|   | E        |            |
| ♠ | 10 7 3   | ♠ Q J 9 2  |
| ♥ | 6 2      | ♥ K 10 9 3 |
| ♦ | 10 8 3 2 | ♦ Q J 6    |
| ♣ | Q J 8 6  | ♣ 10 4     |
|   | S        |            |
| ♠ | A 4 4    |            |
| ♥ | Q J 8 4  |            |
| ♦ | K 9 5    |            |
| ♣ | A K 7    |            |

North dealt with both sides vulnerable and the bidding was identical in both rooms. After passes by North and East the bidding was opened by South with one trump, and North raised to three.

In one room West led the club six, and East's 10 was permitted to hold - this was an unnecessary hold-up. Winning the club return with his ace, the declarer led the queen of hearts, finessed, and lost to the king. After some thought East led the spade queen, which gave nothing away, dummy's king won, and the heart ace was cashed.

When dummy's last heart was led, West showed out and two tricks in each suit was all that South could make. The heart finesse was ridiculous - it could not possibly gain - and declarer met with well-deserved defeat.

In the other room, against the same opening lead, the declarer led the queen of hearts and returned the five, which East covered with the 10. The knave won and South crossed again to dummy's king of spades to lead the last heart. East took his king, and now South had three heart tricks to add to his six other tricks.

Unless the queen and knave of hearts are supported by the 10, the finesse is taboo. The right play in such cases is to hold twice towards the hand holding the two honours. Only if two fast tricks are needed is the finesse acceptable.

We turn to rubber bridge:

|   |           |           |
|---|-----------|-----------|
|   | N         |           |
| ♠ | K 7 5     |           |
| ♥ | 7 2       |           |
| ♦ | 6 5 4     |           |
| ♣ | A K 9 8 3 |           |
|   | E         |           |
| ♠ | Q 6 3     | ♠ 8 4     |
| ♥ | Q J 10 8  | ♥ K 9 5 4 |
| ♦ | K 10 2    | ♦ Q 8 3   |
| ♣ | 10 6 5    | ♣ Q J 4 2 |
|   | S         |           |
| ♠ | A 10 9 2  |           |
| ♥ | A 6 3     |           |
| ♦ | A J 9 7   |           |
| ♣ | 7         |           |

South dealt at game all and opened the bidding with one spade, North replied two clubs and South rebid two diamonds. Now North gave jump prefer-

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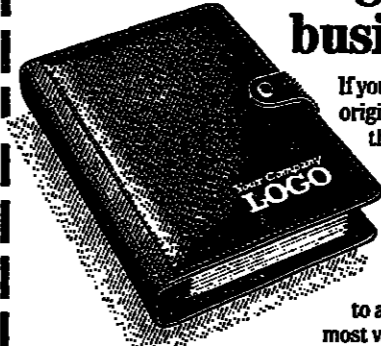
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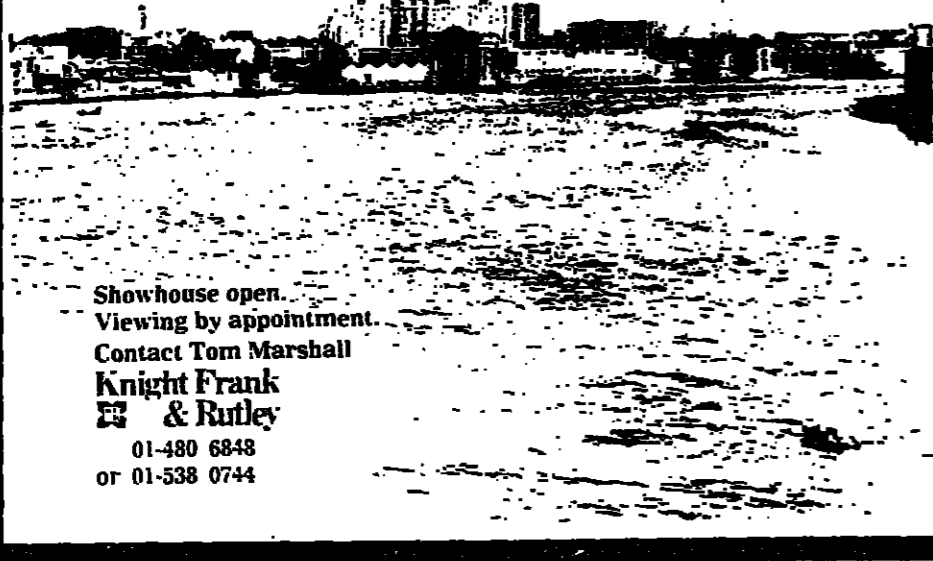


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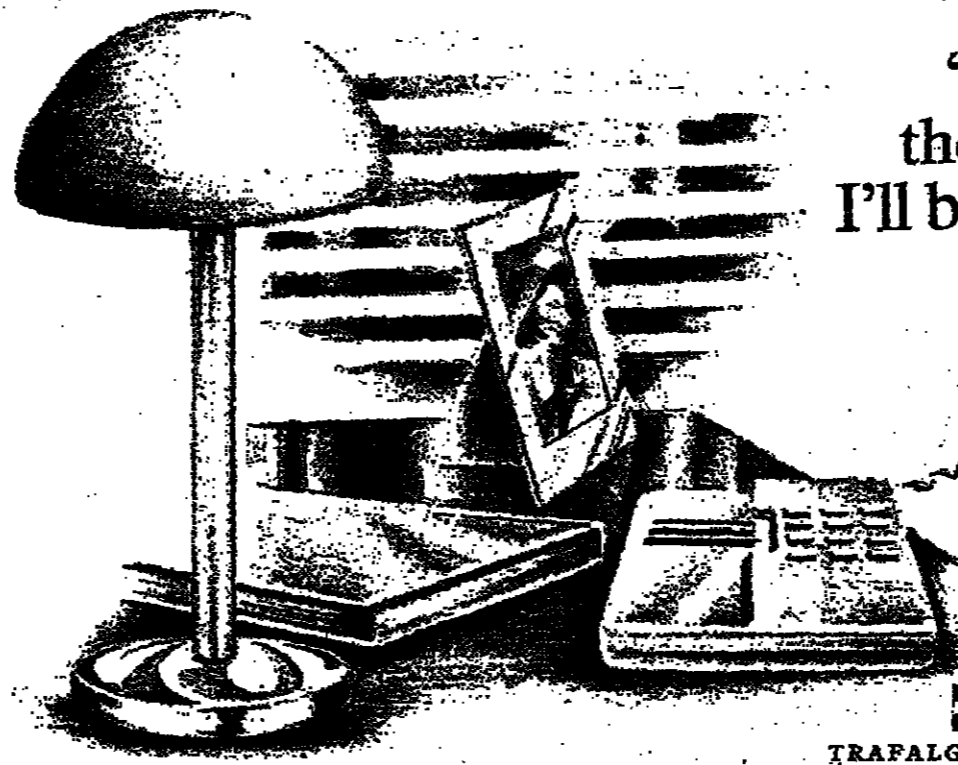
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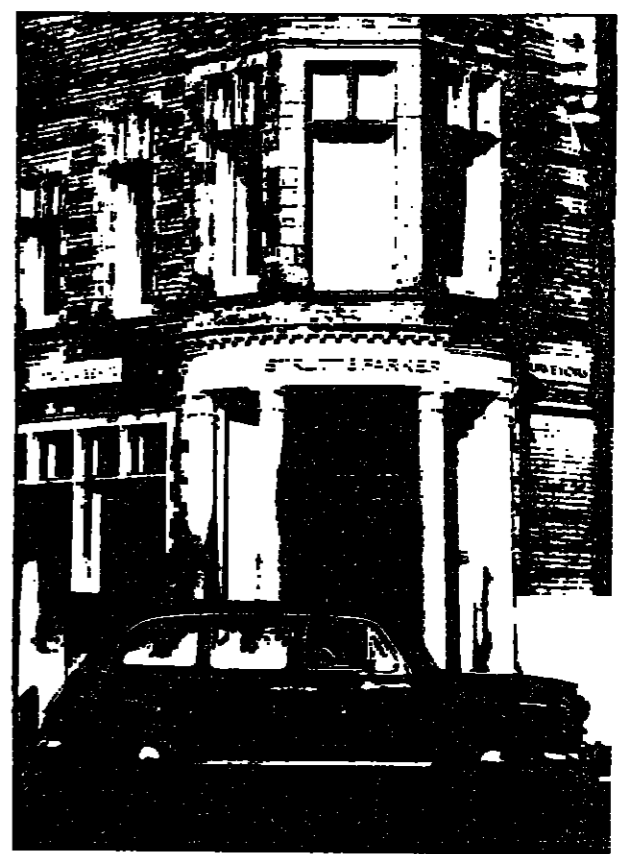
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GARDENING

# Arthur Hellyer on summer flower power Promises, promises

PROVIDED the spring is not too frosty this promises to be an excellent year for camellias and rhododendrons. It is now possible to see very clearly what they hold in store. Certainly in my own garden the shrubs are excellent, and I hear similar reports from all around.

Precisely what it is that makes a good summer for flower bud production I do not know. Light is required and warmth, though not too much of either, and there must be plenty of moisture in soil and air and evidently the summer of 1987, though not remembered with much pleasure by most gardeners was very much to the liking of these two shrubs.

The buds of most of the varieties commonly planted in gardens are fairly tolerant of frost, but the flowers are not, so everything now depends on what the weather will be when the buds begin to unfold. Precisely when that will be depends in part upon temperature, but even more upon variety since each has its own built-in timetable controlled by inherited genes.

In fact there are camellias, varieties of *Camellia sasanqua*, which have been flowering on and off since the autumn for that is the nature of this Japanese species. It is often spoken of as too tender for outdoor planting, except in the mildest parts of the country, and is recommended as a conservatory plant. All this is perfectly true and yet this camellia is in every way as hardy as *Camellia japonica* which is parent of so many of the most popular and satisfactory varieties for outdoor planting.

What makes one "tender" and the other "hardy" in this particular context is their times of flowering since *C. sasanqua* opens its buds from October until April when frosts are common in most of Britain whereas *C. japonica* concentrates most of its flowering in the spring, though, thanks to the mild winter so far, some buds have already started to open. It would be sensible for British breeders to concentrate on producing late-flowering camellias, which have a better chance of encountering favourable weather, but I have not heard of anyone doing so.

The camellias that are growing most rapidly in popularity are the varieties of *Camellia williamsii* which is a man-made hybrid between *C. japonica* and

a southern Chinese species named *Camellia saluenensis*. Because of this hybrid origin varieties vary considerably in habits, type of flower and time of flowering, but in general the leaves are smaller, the stems more slender and the faded flowers tend to fall off instead of remaining attached as those of the japonica varieties tend to do.

The most popular variety is *Donation* with quite large double pink flowers produced with extraordinary profusion. This is at its best in April when the daffodils are at their peak but it is a variety that continues in bloom for a good many weeks during which time in my cold garden it is usually battered by at least one frost sufficiently severe to turn all the open flowers brown. They can be



shaken or brushed off quite easily and within a few days the bushes are usually looking quite smart again.

But, though hardly anyone ever says so, the *williamsii* varieties are not all quite as hardy as one would wish. Some have a streak of tenderness inherited from the Chinese parent and it has shown in recent years when we have had several very nasty winters.

There are far more rhododendron species than *Camellia* species with a vastly greater distribution in the wild covering Asia, Europe and America so it is not surprising that there is a far greater range of sizes, types of growth and flower and also of degrees of hardiness. There are many that in this country are for greenhouse cultivation only and some that, like *Camellia*, though hardy themselves, flower in winter when the frosty petals are at risk from frost. All this was quite clear a century ago when far-sighted commercial breeders set themselves the task of producing varieties which would be tough in themselves and would not flower until May-June when the

risk of frost severe enough to destroy the flowers is much reduced.

The result was the Hardy Hybrids still being added to today and still among the very best rhododendrons for general garden planting though they do not appeal greatly to rhododendron specialists partly I suppose because they are easy and common but also because they lack the variety of flower shape, size and colour which makes rhododendrons the most fascinating of all flowering shrubs. The popular image, derived from the Hardy Hybrids, is of big rounded leaves with large evergreen clusters of closely-packed bell or cup-shaped flowers.

In fact there are rhododendrons which do not in the least fit this description; species with little tubular flowers or trumpet-shaped flowers some with dangling flowers, others with upward-facing saucer-shaped flowers. There are rhododendrons with tiny leaves and others with very large leaves, sometimes covered beneath with dense brown down or with silvery scales which make them highly distinctive but these are often more difficult to grow since most need a rather moist mild climate and some shade. They are really woodland plants that thrive in moist western and south-western gardens.

By contrast some of the dwarf small-leaved rhododendrons succeed best fully in the open and make excellent rock garden shrubs. Some rhododendrons are also very richly scented but not unfortunately any of the easily grown Hardy Hybrids. For hardiness allied to perfume one must go to the deciduous azaleas, which are botanically rhododendrons, one of the sweetest and toughest of which is the common yellow azalea.

A limiting factor with althoese shrubs is their dislike of alkaline soils, usually caused in Britain by excess lime. It is possible to overcome this by preparing special beds of lime-free soil or by feeding with special fertilisers but it is better I think when soil conditions are very unfavourable, to grow rhododendrons and Camellias in large pots or tubs. The compost used can be of peat or peat and lime-free soil but if a proprietary compost of either type is used make sure that it is suitable for lime-hating plants.



Grow rhododendrons and Camellias in large tubs when soil conditions are unfavourable. Compost can be peat or peat and lime-free soil

## Vroom with a ewe

FOUR YEARS ago I decided not to shoot any more, partly because time had become too valuable and partly because I preferred to see the birds and hares living their own lives.

However, some months ago very old friends who farm on the Hampshire-Berkshire borders asked us down for a couple of nights and a day's shooting. I felt the pheasants were pretty safe from me since, a wonderful dinner, a very late night and over-fondness for the port made absolutely safe any game which favoured my position in the line.

Between stands the conversation turned to low flying aircraft, prompted in this case by the regular appearance of helicopters; the tales about the irritation it causes seemed legion. It is a difficult matter because there is an obvious need to keep RAF crews up to scratch, but at the same time it is punishing staff for those underneath.

I read in my Sunday papers that the noise we experience every day may affect the chemistry of our brains in ways that change our emotions and mood; I can't say this surprised me. Noise is a curious phenomenon because you can get used to it; those who live next to a railway line seldom hear the trains, and animals which are subject to a regular pattern of noise also appear to be untroubled by it. I have seen sheep, for instance, live under an active flying circuit which is pretty noisy at the best of times and, at worst, very noisy indeed. However, they seem to graze happily even during periods of high intensity flying.

What animals do not like is sudden, unpredictable loud



Country notes

noise to which they are not accustomed - the sort of noise made by a pair of those American aircraft seen so much over East Anglia, or by a Tornado on a training mission.

This spring my lambing had been going rather well; the weather was warm and sunny, there were few complications and life during this always difficult time was taking on an agreeable hue. I had not given much thought to an announcement in our local paper that a Tornado would be practising in our vicinity. Had I done so perhaps I could have warned the sheep to expect a rush of noise of quite stunning volume. At the appointed hour we had a number of births in various stages of delivery, half the flock were sunning themselves when we saw the lambing strip (a grass field adjoining the barn where the action takes place) and the remainder were already out with their new charges.

The Tornado began its performance by circling the field in a slow and certainly produced a spectacular change in my

brain's chemistry. It was doing something similar for the sheep. I have lived under aircraft for many years and never before dreamed of complaining, but I can only think the chemical change caused me to break a habit of a lifetime. There was a lot of chemistry happening in the shed too.

I telephoned by handset from the middle of the strip the appropriate number for matters of the sort. I explained that I was the shepherd of a flock which lived on the far side of the airfield and outlined in few words the difficulty as I saw it. I received a most courteous and full explanation on why we were enjoying this free display; the need to share the display noise round the various RAF stations. It was not an easy conversation: when the Tornado was over me I couldn't hear him and when it was over him he couldn't hear me.

The Tornado is, of course, shatteringly noisy and guaranteed to raise heads. While I was shooting (missing actually) one of my fellow guests told me of a friend of his who was deer stalking in Scotland. He had pursued a stag for the best part of the day and finally settled in a position to deliver the coup de grace. The stag, however, kept just below a slight rise which prevented a safe and sure kill for an hour and a half. It remained thus and the hunter was beginning to give up hope of a kill before the light faded. At the very last moment a Tornado came down the valley; the stag raised itself into an alert and upright position, and that was that.

Bobby Robson

# Sloane-Wallys fight back

Robin Lane Fox returns to the conservatory

THE NEXT few weeks are the season in which conservatories are supposed to come into their own. The winter sun should be filtering through the double glazing the cold wind is left outside to bother the garden; there ought to be flowers on the white-scented jasmine.

Many conservatory-owners have written to say they are not Sloane-Wallys and that, even if they were, they made a better job of their conservatory when first they built it. I would like to return to the subject, partly because I have just had a new catalogue from one of my favourite suppliers of half-hardy indoor plants.

Where do you go to buy amber-yellow *Angela Trumpet*, eleven types of myrtle, and climbing white plumbago at £3.60, var. included? One answer is Burncoose & South Down Nurseries, Goswami Road, Cowwray (0209-881112), the 1988 catalogue of which includes the sort of varieties which you never quite find in urban conservatory shops, let alone at such straightforward prices. This year it is offering variations on three of my own conservatory favourites.

For years I have wished that the scented white-flowered climber, *mandevilla*, was truly hardy. It was introduced from Argentina 150 years ago by a sharp-eyed member of the Foreign Office named *Mandevilla*. There are hundreds of forms of this plant growing wild in South America and, so far, gardeners have only penetrated the edge of what ought to be a sweet-scented jungle.

Personally, I have not penetrated very far. I tried a *mandevilla* outdoors where it will grow rapidly and persist in mild gardens, flourishing in the south-west of England. It died in its third year. The best place for it is indoors, especially in a cool greenhouse or a conservatory where the heating is not over the top. So long as you keep out frost, *mandevilla suaveolens* will grow rapidly and flower from July to August.

This year, Burncoose is offering something even better which I marked down at last year's shows. *Mandevilla Alca*

*de Post* is pink-flowered, not white; it has the same scent and figure as the white form and its flowers are shaped similarly like trumpets. The nursery states that it is "our choice as the best plant in the conservatory or cool greenhouse" and I would expect it to be right. In this bicentennial year, what about planting some bougainvilleas from Down Under as a straightforward tribute? On both sides, reactions so far have had their back-handed nature, but one of these vivid climbers would not be misinterpreted. The purple form is almost too familiar but named varieties broaden our scope and are not so overpowering.

I particularly like pale pink *Apple Blossom* and red *Mrs Butt* but there are double ones, too, including a double orange which is new to me. *Bougainvillea* is a very easy plant so long as it is kept above frost-point.

In the Mediterranean, oleanders usually crop up where bougainvilleas are beaming in red or purple. This year you can buy a double yellow oleander *Yellow Queen*, an unusual colour-break which caught my eye last year, not least because it flowers generously in this unexpected colour. Like bougainvillea it is a very easy plant for a big tub or plant box wherever you want the effect of rapid rather upright greenery.

I think I have seen too many of its bushes coated in the white dust of rosin around the Aegean and would not want it by my front door. I much prefer the violet-flowered thibouchina, one of those exotic climbers from Chile.

By the time you have scented jasmine, plumbago and *mandevilla*, there might not be very much room for anything else which is upwardly mobile in your glasshouse's limited space. Perhaps that is why thibouchina has not yet caught on, although it flowers from August until October.

This year, the new thibouchina *ovata* sounds the answer to the problem. It needs no great wall space, and it will climb easily up a tripod of bamboo canes without waving in all directions. When in flower, it is hardy enough to be moved indoors; the flowers are a lovely shade of deep violet-purple. In conservatories, of all places, we have the chance to experiment and try new and more exciting forms in 1988, my particular favourites are on the market in what promises to be a better variety.

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DIVERSIONS

Gerald Cadogan reports on Europa Nostra award winners

Prizes for posterity

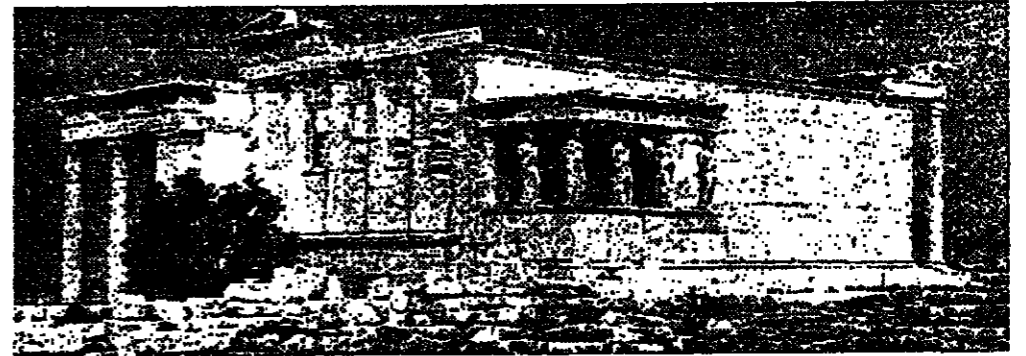
IMAGINATIVE uses for some of Europe's out-of-date buildings have been revealed as the annual awards of Europa Nostra this week...

The new respect for old bricks, old stone and even old cement is a mark of late-20th century Europe...

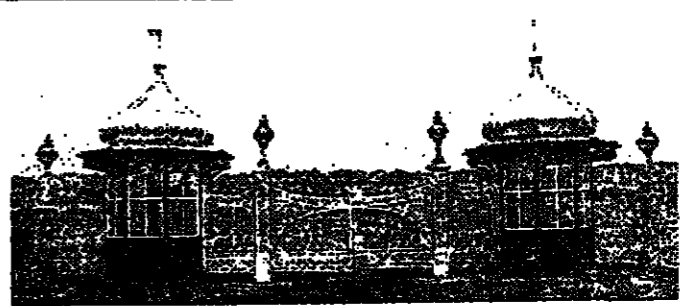
private owners (38), commercial owners (27), amenity societies (24) and national governments (12). There were eight medals and 34 diplomas of merit...



street indoors and covering space between the buildings with a glass roof...



Testaments to the gospel of preservation and revitalisation: the Erechtheion on the Acropolis (above); the Palais Ferstel in Vienna (left); and the author's candidate for a fun award - Bangor pier in Wales (right)



industrial and social history of Britain in the mills, houses, Co-operative store, and New Institution for the Formation of Character of Robert Owen's model industrial village on the Clyde...

more with the restoration of the stables of Armadale Castle on Ewey to provide the Clan Donald Centre. Denmark has a gem in the small neo-classical house Soholm, by C.F. Hansen (1806-09), which locks the prototype of the neo-classical houses of Athens...

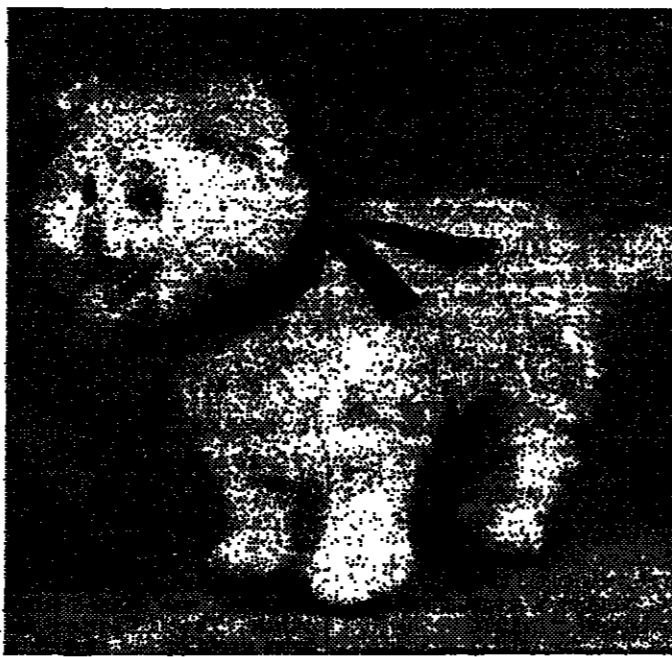
Objet d'art fantasies for the rich

COLLECTING FRENCH automata of the classic period is a serious and quite costly business. As 290, Christine Bally's book Automata...

was apparently imperative also to have a wife who could take over the wardrobe department; a special charm of these classic French automata is the impeccable cut and style of their costumes...

Janet Marsh looks at the serious business of collecting automata

world that still astonishes and delights with its colour, ingenuity, gaiety and humour. So many little couples wait stiffly to the strains of musical boxes concealed in the ladies' crinolines...



What's new puseyca? This automaton, moving on small wheels on each paw, is expected to fetch between £200 and £400 at auction

English star Little Tich balancing on his famous Big Boots, and the clowns of another English act, the Hannon-Less, 30 years ago...

Saleroom Small, but oh, so select

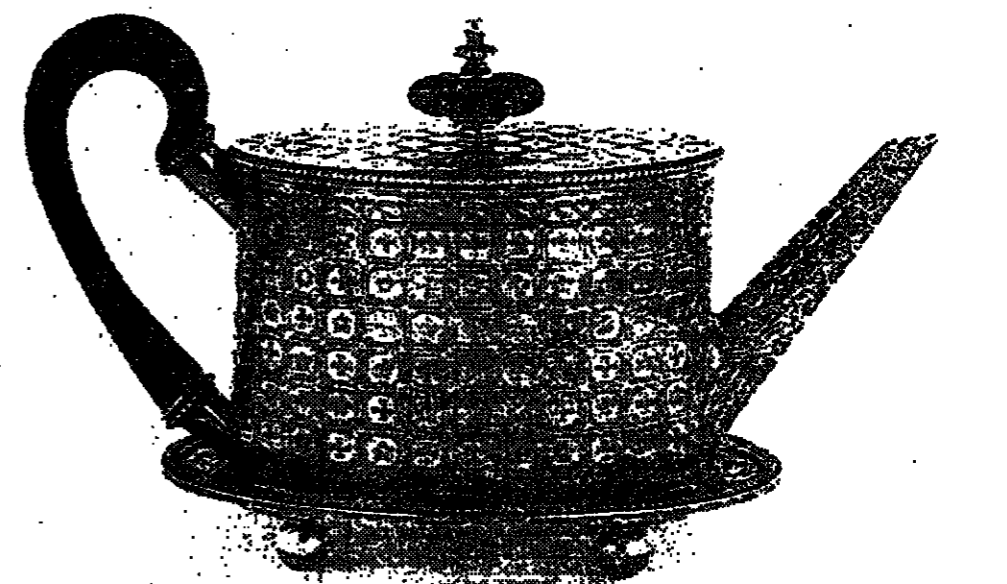
Wearing dark glasses, Antony Thorncroft moves among the mega rich at a prestige London event

THE SILVER and Jewellery Fair, which occupies a small but so select corner of the Dorchester Hotel, London, until Monday, is a dark glasses occasion...

These prices seem positively modest when set against the Louis XVI silver gilt ewer and basin made by Cheret which the monarch gave to a favourite in 1776...

oval box, will cost less than \$10,000; a diamond tiara made around 1850 by Garrards for an unknown royal, will be £100,000...

the sought after name among art nouveau craftsmen. What makes the Silver and Jewellery Fair an important event is not the ostentatious displays in the lavishly decorated rooms...



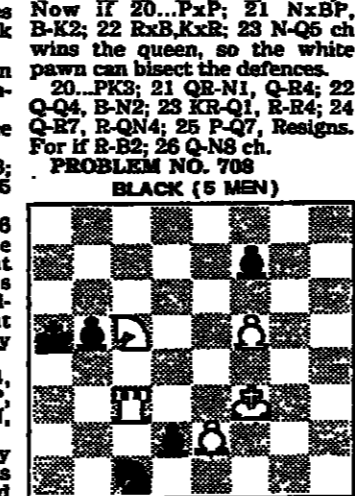
Silver-gilt teapot by Peter Rodie, London 1802

CHESS

JAN TIMMAN, 35, of Holland, is established clearly as the world's leading player next to Kasparov and Karpov in the present FIDE international rankings...

spectator while White advances his QP, then invites the black position for a decisive attack. WHITE: J.H. Timman (Netherlands); BLACK: L. Ljubojevic (Yugoslavia)...

White to move; how can he win? In this endgame by Richard Reti (1922), White has a rook for a pawn but looks in a difficult position...



White to move; how can he win? In this endgame by Richard Reti (1922), White has a rook for a pawn but looks in a difficult position...

Jonathan Sale finds out about a dead man's fan club On the march

Whitehall will this morning be fully congested with folk of the Caroline persuasion, since two other loyal groups are joining together to pay their respects outside the Banqueting Hall...

Whitehall on the 399th anniversary of Charles I's death and will also lay commemorative wreath in the Garter Chapel, Windsor...

What is it that draws members to an organisation which is, in effect, a dead man's fan club? The Rev Barrie Williams, teacher and chaplain, explains: "Charles I died for the particular beliefs of the Church of England...

DIVERSIONS



A FRIEND once said that going down a bobsleigh track was like a car journey that involves a dozen successive crashes. The analogy is perfect. Having been down the bob run in St Moritz three times as a guest of the British national squad, I can confirm that this is no exaggeration.

The sport of bobsleigh riding, or bobbing as it is more familiarly known, is a curious one. It owes its origins, improbably, to invalid tuberculosis and asthma sufferers who discovered the curative effects of alpine air a century ago. The story goes that an enterprising St Moritz hotelier staked a fortnight's free accommodation for a group of Englishmen if, when they came in January, the weather was not bright sunshine. The travellers, who had been used to spending the summer in Switzerland, took up the wager and arrived to find him shir-leaved and smiling on a perfect winter's day. Thus was born the tradition of winter holidays in the Alps, and in consequence winter sports as we know them.

But if bobbing began as a gentle and decorous pursuit for rich consumptives, it has since developed into a vicious and highly competitive sport. Even at the lowest levels participants need to be fit and fearless: it is not for the faint-hearted.

The track at St Moritz is the oldest in the world. It is also one of the longest at 1,585 metres. Over that distance, the course drops a shade over 400ft, by which time an average four-man bob is travelling at around 140kph - just under 90mph. En route, there are 15 bends, each with a name either redolent of tradition or visually descriptive. "Nash" and "Dixon" are named after Britain's 1964 Olympic gold medalists; "Sachs" commemorates one of the sport's greatest patrons, Gunther Sachs (sometimes husband of Brigitte Bardot). There are "Snake" and "Horseshoe", the latter a violent left-hander which flings the bob momentarily upside down. At around 60mph this manoeuvre imposes the sort of G forces that a jet fighter undergoes when performing aerobatics. "Devil's Dyke" is similarly vicious. The penultimate bank, "Leap", is just that, for after it the track plunges like a graph of the stock market on black Monday.

Before exchanging the natural world for this brief glimpse of a universe where gravity and kinetic energy are the supreme arbiters of destiny, you need to be properly equipped. The most important item is a close-fitting full-face crash helmet, with a pair of goggles as essential insurance against smarting eyes. On your feet you wear "start shoes." These are similar to sprinting shoes in that they are provided with fine stainless steel spikes to grip the ice as the bob is pushed off. A pair of ordinary leather skiing gloves give as much protection as is possible for the hands. What is worn in between this ensemble depends on whether you are novice or expert. For the former, plus four topped by several thick jumpers are appropriate. For the latter, a tight, wind-cheating "body stocking" or "zoot suit" is mandatory. (In a sport where medals are won and lost on margins of hundredths of a second, aerodynamics are deferred to as a minor god). In addition, as a neophyte, the urge to protect your body dictates that you secrete as much padding about your person as possible. But no matter how much like a Michelin man you make yourself, still you feel curiously naked as you stand awaiting the bell in the start box.

Consumptives started it and the army perfected it. By Alexander Norman



Bobbing about in the snow

novice or expert. For the former, plus four topped by several thick jumpers are appropriate. For the latter, a tight, wind-cheating "body stocking" or "zoot suit" is mandatory. (In a sport where medals are won and lost on margins of hundredths of a second, aerodynamics are deferred to as a minor god). In addition, as a neophyte, the urge to protect your body dictates that you secrete as much padding about your person as possible. But no matter how much like a Michelin man you make yourself, still you feel curiously naked as you stand awaiting the bell in the start box.

The initial seconds pass innocuously enough. But the first bend, "Wall," a relatively long left hander, is an awful portent of things to come. It seems to reach out and grab the bob which tips violently before slamming back down on to the straight. It's a bit like the game of pinball where the bob is the ballbearing. Each bend represents the spring-loaded plunger accelerating you down the next straight. But this impression does not become apparent until later.

After that first omen, your sole aim in life is to wedge yourself ever more tightly into the seat. You push with every ounce of strength in your legs to brace your backside against a steel support. With your hands on the grab rail, you pull down with all your might. At the same time you hunch your shoulders forward to try to prevent your head sledge-hammering against the side of the vehicle: there is no suspension, nothing to cushion every rut and jolt on the ice.

Suddenly the world is transformed into a violent physical kaleidoscope. After the second bend you lose all sense of relationship with any natural order. No matter how many times you have studied the course, it is impossible to picture your position on it. Only at "Horseshoe" does external reality impinge on your shaken consciousness. The sensation of being inverted is just powerful enough to break in and tell you where you are - and remind you that there is still the second half of the track to cover.

You see virtually nothing. At every bend your head is forced down by gravity and on the straights you'd rather not look anyway. "The word 'relief' takes on an entirely new meaning when after a fraction under 70 seconds the driver calls out "BREAK, BREAK" and the bob starts to decelerate going uphill. At the finish, you climb out feeling as if you've just gone 10 rounds with Tyson. Then you go and do what?

"It's not nothing at all," according to Mark Tout, driver of GB-1, Britain's top four-man crew. "It's just a job. Your aim is to get the fastest time possible. Exhilaration doesn't come into it." If that proposition sounds unlikely when set against a novice's impression of the sport, it does perhaps explain the extraordinary determination and dedication necessary to participate in such a physical and perilous pursuit. "You don't consider the danger element. You know it's there and that's an added attraction. But the moment that bell goes, any fear you might have just vanishes. You just get on with the task in hand."

That, like the other three members of GB-1 is a soldier by profession. This seems entirely appropriate, considering the ideals of the military and the exigencies of the sport. "Obviously we are looking for similar qualities," says Major Tony Wallington, team manager and lynch pin of army participation in bobbing. "A team member, like a soldier, needs to be courageous but not to the point of foolhardiness. He needs to be clearly-minded under extreme physical and mental pressure. He must be extremely fit too. So the army represents a huge pool of suitable manpower." But if this sounds like an abuse of service resources, there is no need to write letters of complaint to the Ministry of Defence. GB-1 is funded almost entirely by Save and Prosper, the investment house. It rather than the army, provides all the equipment and back-up infrastructure.

Winning pole position in the British Olympic line-up has been something of a personal success story for Tony Wallington (who at barely 5ft 6in is inevitably known as Major Minor). He competed in the 1980 Winter Olympics at Lake Placid where his crew came ninth overall. He was also a member of the bronze-winning crew at the first World Cup championships the same year. He then retired from competitive riding to dedicate himself to promoting the sport within the army: not only is Mark Tout's crew spearheading Britain's Olympic effort at Calgary next month; it is also acknowledged to stand the best chance of winning a medal since Nash and Dixon's victory in 1964.

Rebel with a cause

OBITUARY: Edmund Penning-Rowse on the life of Baron Philippe de Rothschild

WHEN BARON Philippe de Rothschild, who died last week, took over the running of Mouton Rothschild in 1922 he was only 28. He found himself in a conventional and conservative world whereas he, a Bugatti racing driver, a distinguished yachtsman and a man of the theatre, was certainly not.

Yet, with a combination of charm and determination, he persuaded the first-growth chateaux in the 1855 classification, for the first time, to bottle all the wines sold under their label themselves. He also persuaded them to accept the association of which he was only a second-growth proprietor, was the most active member until it died in the slump years of the thirties.

His most sensational public move was to commission a poster artist, Jean Carlu, to design for his 1924 vintage a Cubist-infused label incorporating, in colour, the Rothschild arms and a ram's head. The shock and disapproval that this met with in Bordeaux can be imagined. Other label designs followed, and in 1934 a vintage onwards the number of bottles, magnums, etc., produced in the vintage were listed.

On his return from England after the Second World War he decorated each year by a different artist including Cocteau, Marie Laurencin, Braque, Henry Moore and Andy Warhol, for which they were remunerated in wine. This was one aspect of Baron Philippe's flair for publicity, for long regarded by his fellow Medoc proprietors as somewhat unbridled, if later widely followed.

Visitors were welcomed, the huge cellar of young wine in new oak casks was illuminated, and in 1962 the astonishing collection of abstract art, associated with wine through the world and the world, was opened to the public. The collection had been assembled by the baron and his American wife, Fannie, since their marriage in 1947. It would be hard to say how far the desire for publicity was the main inspiration for this eclectic collection of works of art, brilliantly displayed and lit in a former cellar. For the private apartments on the first floor which had previously been a farm stable all witnessed to his sophisticated eye for very diverse pieces and their skilful placing.

However, Baron Philippe's great aim in life was to rectify the "wrong" of Mouton being ranked as a second-growth in 1855; and in the post-war era this occupied much of his formidable attention. Highly familiar with the corridors of power in Paris, he was behind several governmental proposals to amend the classification, but these met with little support and a good deal of opposition from other chateau proprietors.

However, in 1973 a class-by-class reclassification was proposed which significantly has never got beyond the headlines, to which Mouton Rothschild was duly promoted with general acclaim in June 1973. Since Mouton already sold at the same prices as the other first-growths this was a matter of prestige rather than additional profit but Baron Philippe was, beneath a cultured, courteous exterior, no mean man of business.

It was he who sold the whole of his poor 1927 vintage as Carruades de Mouton. He, a younger son himself, later conceived the name Mouton Cadet, first employed for the very poor 1931 vintage but later evolved as a carefully selected generic vintage Bordeaux that has become the world's best-selling brand of claret. He also acquired in 1933 the adjoining property of Mouton-D'Armailhacq, now renamed Mouton Baronnes. Philippe, in the same period, was also in 1976 and Clero-Milon in 1971.

Although concerned with every detail of life at Mouton, much of which he directed from his four-poster bed, strewn with papers and adorned by his retriever, he never set himself up in any way as a wine expert and refused to pronounce on recent vintages. His other great interest was literature and his hobby the difficult translation into French of Elizabethan and other classical English poetry.

If in his earlier years the baron was regarded in Bordeaux with a certain scepticism mixed with curiosity, it has long been accepted there that in promoting Mouton he also conceived the name Mouton Cadet, first employed for the very poor 1931 vintage but later evolved as a carefully selected generic vintage Bordeaux that has become the world's best-selling brand of claret. He also acquired in 1933 the adjoining property of Mouton-D'Armailhacq, now renamed Mouton Baronnes. Philippe, in the same period, was also in 1976 and Clero-Milon in 1971.

The kitchen's cutting edge

NOW THAT poets and novelists have abandoned the pen, no craftsman's tool is so prized as the cook's knife. Brides who have never cut the leg off a chicken can expect to be given large graduated rows of French cook's knives with brass-riveted black handles (Sabatier they are probably called, although more of that anon).

Knife-racks proliferate, and great blocks of beautifully grained elm and beech cradle these splendid instruments. But what do you actually use? There is, of course, a proper knife for every job and it is one of the tributes of amateur cooks pay to professionals to acknowledge that although nothing worthwhile about food and cooking may have been learnt at that provincial polytechnic, they do at any rate learn which tool to use and will still automatically reach for the right one from a well-stocked rack for each little kitchen task. But how many pieces of kitchen knives enjoy that useful role? How many housewives pass by the gleaming block to fish out of the kitchen drawer a cheap little knife with a plastic handle which will do nicely for most jobs and is therefore the only one which is regularly sharpened?

In the French restaurant kitchen where I learned everything I know, every cook had his own little hinged metal tool-box which, like an executive's briefcase, he lugged home at night. When the chef barked "Deux files de loup su fenouil" and the appropriate man responded with the ritual "Out, chef", he would poke about furtively in his tool-box for the knife which would do the job. It was a little knife with a yellow plastic handle - the only tool that could be trusted to pare and shape the precise piece.

There was no shortage of beautiful big cook's knives, all in mint condition and sharp as razors. For chopping parsley or reducing a kilo of carrots and turnips to a pile of uniform fragments a big straight trim cook's knife was of course the thing. Sometimes a hand saw which could be used and increasingly are entrusted to machinery. But there are other jobs where a little blade, perhaps rigid, perhaps pliant, has to become an extension of the fingers. Sometimes a narrow blade, like a straight razor, is sometimes a sharp point is called for, sometimes not at all. Your rack of graduated Sabatiers is unlikely to meet all varied requirements: particularly flexibility.

"Sabatier" by the way, is like "Aspirin", an ex-brand name, to which exclusive right has been lost some while ago. I have never seen a rubbishy Sabatier knife, but they don't all come from the same factory nowadays. All knife-users should



Food for Thought

never smelly - which take a really sharp edge and hold it. Also, sharpeners. How often does a sharpening Peter, you so good at this, do you think you could carve the duck/shoulder of lamb/hare or whatever difficult problem there is to face. With these instructions from the hostess, there invariably comes a knife which has never been sharpened and which was last used to open a packing case. Any fool can carve with a really sharp knife, no-one can do it with one of these blunt bluntnapologies.

There can be no exception to the rule that you must sharpen a knife every time you use it. If like me you are unlikely to have time or the inclination to do so afterwards, you ought to do it first. Like your butcher does, a few passes at the steel will do as much for the steel as sharp and rough to the touch. Old steels get all smooth and poker-like and don't give that singing edge: when in doubt get a new one. Oiled steels are fine for the real all-rounder, a knife which has some favour the front doorstop (to let the neighbours know you've got a joint, as they used to say in Lancashire).

It's a funny thing but the test of a really sharp knife is to give a tomato with the skin on. Many an otherwise faultless knife will bounce off an obliquely-offered tomato skin.

Peter Fort

Edmund Penning-Rowse looks at the champagne industry More emphasis on quality

CHAMPAGNE HAD a very good year in 1987. The record sales of 205 million bottles in 1986 were surpassed by up to a further 10 million, and the vintage produced the equivalent of 264 million - nearly 20 per cent more than was sold. This does not imply, however, that a state of complacency has swept the Marne for there are always problems to be faced there both within and without. The main

internal one is the necessity to maintain the high quality that keeps champagne ahead of the competition from the growing sparkling wine production throughout the wine world. Evidence of the concern for quality comes from a report, entitled Charte de Qualite, prepared by a committee of the trade body, the Comite Interprofessionnel, and representative of all sides of the industry.

It has issued recommendations on such matters as: analysis of the soil before planting or replanting; the selection of clones most suitable for quality rather than quantity; strict control of pruning; new regulations for the nearly 2,000 press-houses in the region; and provision within two or three years of improved presses.

That it has been thought necessary to propose such recommendations and regulations indicates that a proportion of the merchants and growers "could do better." There have been criticisms both inside the industry and in the press, including the British press, about "cheap champagnes" that have tended to call in question its reputation, as well as severely undercutting the products of those firms whose concern for quality as commercially essential for their survival obviously makes their wines more costly. Particularly affected are the smaller houses that lack the promotional resources employed by the big groups that dominate the trade. There are, it must be said, no illegal practices employed in producing champagne that can be sold at several pounds a bottle less than the wines of the grandes marques and other merchants of long-standing and repute. These low-priced champagnes are usually sold as B.O.B.s (Buyers Own Brands), mostly in the supermarkets, but these B.O.B. champagnes have long been associated with the British market, and most traditional merchants usually have one to head their champagne

list. Today they are competing not only with more grandly labelled and extensively promoted champagnes but also with other sparkling wines.

There are no short cuts in the actual production of champagne, save for the mechanical shifting of the sediment from the bottle (remuage), but there are two main means of securing a cheaper bottle on the market: less expensive grapes and a shorter time in the bottle after the second fermentation that provides the sparkle. The whole of the Champagne region is price-indexed village by village, according to the quality of the grapes they produce, from 100 per cent on the Montagne Reims and the Cote des Blancs, down to 80 per cent lower down the Marne valley and on the Aube to the south. In negotiations just before each vintage between growers and merchants the price is fixed by the Comite Interprofessionnel. Last year the 100 per cent price including a bonus for Pinot Noir and Chardonnay, was FF 21.77 a kilo, and the 80 per cent price to produce a bottle of champagne: FF 28.3 (£2.30). Only a minority of champagnes - the de luxe brands - are made from 100 per cent-pressed grapes, but the leading houses will be in the low 90s, and higher for vintage wines. In the 80 per cent communes the basic price last year equalled about £2.25 the equivalent of a bottle, but a further saving could be made by using a proportion of what is known as the tailie.

The grapes are pressed three times. The first pressing is called the cuvee, and his accounts for about four-fifths of the juice produced. The premier taille (the second pressing) takes about two-thirds of the remainder, and the deuxième taille (the third pressing) the rest. The leading houses either use only the cuvee or a small proportion of the taille, and they sell off the rest at a reduced. The B.O.B. producers can save money by putting the remainder of the cuvee and the tailie into their blends. This has a short-term advantage of having less acidity, and so adding a certain non-constructive sweetness to the champagne. But the blander champagne does not last very long. The other saving is in the bottle-aging after five years are put into the bottle. Legally a champagne may be sold as such after one year in bottle, but it is generally accepted in Champagne that a good NV champagne needs three years before being sold, and a vintage one must have this minimum and should have more. This "three-year rule" has not been handed down from heaven or even from Dom Per-



ignon, but because it takes this time for the "fizz" to settle down and mature. On my last visit to Rheims I asked a champagne house if I might taste a young, immature champagne, and an 18-month-old bottle was brought up from the cellar and opened. It stank of yeast and tasted very green. Of course it had not had the dosage of slightly sweetened white wine added after the sediment has been expelled, but it was nothing like as mature or drinkable as the firm's normal NV blend.

For those houses that keep their champagne for the customary three years the burden of interest is considerable, for it costs about FF 5 to FF 7 a year per bottle, and quite a small house may have five million bottles in stock. So a champagne sold only a year in bottle will have cost over £1 less than those kept for three years. Normally the still-wine blend is bottled in the spring following the vintage, but until a regulation came into force three years ago, making it illegal to bottle before January, some growers and merchants were bottling in order to market it before the following Christmas. Consideration is now being given to postponing the first legal bottling date to April.

Most B.O.B. champagnes will certainly have had more than a single year's bottle-age, but they are likely to have had less than the customary three. Perhaps this is one reason why at a recent Which? Wine Guide tasting of supermarket champagnes the results were not very laudatory. After all, their ex-cellar price in Champagne is likely to have been between FF 45 and FF 60, compared with between FF 60 and FF 70-75 for champagnes sold under well-known merchants' labels.

A further element in the price fissure is the large amount of champagne available after five large vintages out of six, plus an additional 500 ha of new vineyard coming into production each year at present. Stocks now represent rather more than the desirable three-year supply, but if sales are reduced, in what may be a difficult time this year, and there is another large crop, stocks might rise to an unacceptable level of four years or more. This might bring down the price of grapes and assist champagne in its competition with other-sparking wines.

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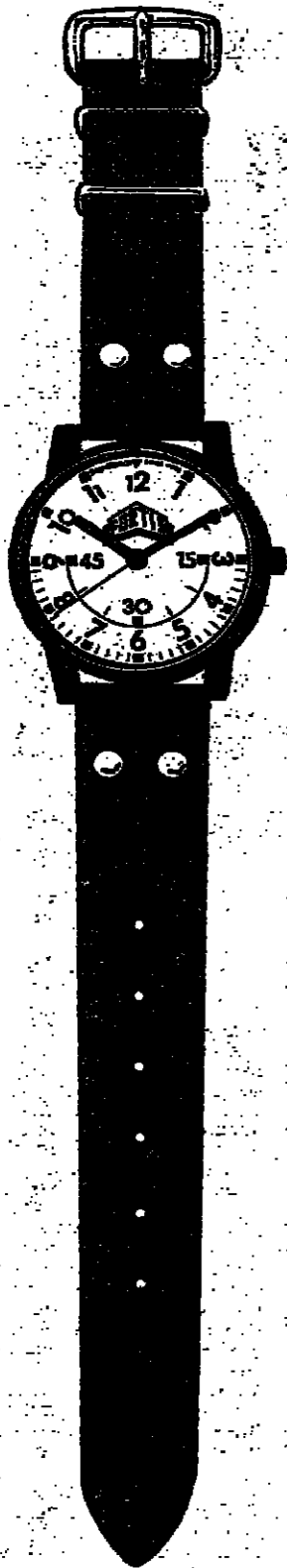
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· DIVERSIONS ·

Thoughts from the George Bernard Shaw school of fashion  
**Warm, round and cosy**



Time your speeds with the Fortis Skywatch, £65 from The Watch Gallery, 129 Fulham Road, London SW3.

NO MATTER how many glossy magazines you read and how fashionable the ski shop where you buy your clothes you may be absolutely sure that it is not until you hit the piste that you will have any real idea of what this year's ski fashion is all about. Piste-cred, like street-cred, seems to be an eternally evolving matter, gained the hard way on the slopes, where those who mind about such things watch and learn from other skiers. The newest trends are set simply by being seen.

Siding being a relatively new sport with few ancient and royal traditions there isn't as yet an established, enduring classic look that the insecure can take refuge in - no name, if you like, that is to aid what Brooks Brothers is to men's clothing. It's all much too new, brash and fashionable.

Which is not to say that it isn't easy to make plenty of mistakes. A good look around the ski slopes quickly reveals them all. The real problem with dressing for the slopes is more easily identified - how to be warm, dry and glamorous all at the same time - than solved. If you have the legs, height and tawny mane of a Swedish model, then you're away but that leaves the rest of us (particularly, sob, if like me, you're just 5 ft 2), still feeling that the alternatives are a fast schuss towards frostbite or an all too realistic impersonation of a Russian Babushka.

After years of avoiding the padded Michelin-man look, of seeking for the alternatives I could find, and of always feeling cold, I decided that this year, with a trip to the Canadian Rockies on the agenda, things were going to be different. I was going to adopt the Bernard Shaw approach to dressing for the slopes - he never bothered about how he looked because "when I'm at home everybody knows me and when I'm away nobody knows me." Quite so.

I stopped worrying about anything except warmth. I discovered a Lulima ski suit, pretty pastel, soft, billowy as a cushion and just what I needed. With it came a matching jacket - just as padded, just as soft, just as billowy. Inches added everywhere but so was warmth. Under the suit I wore Helly-Hansen thermal underwear and one sweater. My head

was wrapped in a cowl held in place with ski-goggles - not even at home would anybody have known me. George Bernard Shaw was right. Skiing in the Rockies is notoriously cold, temperatures on higher slopes can go up to minus 50 degrees centigrade and anybody planning on being skied (as he had hoped to do) has to be exceptionally well-prepared. In the end it was unseasonably warm for the time of year (minus 20 deg was about as low as it got), never at any time felt cold anywhere except the few exposed bits of my face.

The best of modern skisuits are miracles of high-tech - made from artificial fibres that keep out the wind, snow and cold and yet breathe. The thickness of the insulation in the outer layer however is important and it is almost impossible to be really warm in low temperatures without padding. The fabric of the year is undoubtedly ICI's Tactel, a fibre which seems tailor-made for the skiwear market. Manufacturers specialising in skiwear for extreme weather conditions are Luhta (which incidentally is extremely reasonably-priced, my suit costing just £136), the British make of Berghaus, Degree 7, Powderhorn and Big Ski. If you're only planning some warm spring skiing you can afford to concentrate mainly on what you look like. Top fashion names this year are Lily Farrow (at Lilywhites a riot of bright floral prints for women and exotic jungle prints for men), Bogner (also at Lilywhites, not cheap but very noticeable, look out particularly for the wild west feathers and fur ski suit or the skisuit bedecked with cartoon figures) and, of course, Peter Steinebronn (this year Peter with leopards, stars, moons and even gemstones).

**Lucia van der Post**  
**HOW TO SPEND IT**  
1. Right: ICI's Tactel seems to be the ski manufacturer's dream fabric - it is tough, warm, waterproof and windproof and can shimmer like silk and satin, crinkle like cotton, it can take prints and patterns and has been used by many a top name this season. Here Franz Klammer has used it to make a dazzlingly suit in strawberry/lilac, grey/yellow or turquoise/grey. £275 from Ellis Brigham, 30/32 Southampton Street, London WC2 and branches.



2. Left: more heat, say the experts, is lost through the head than any other way. So keep warm the Davey Crockett way with an extremely realistic acrylic "fur" hat by Grojean. £59.50, from Snow + Rock, 188, Kensington High Street, London W8.

**SKI FLASH**  
• Ever wondered how fast you're going down the piste? Buy yourself a Fortis Skywatch and these you'll find. Buy sturdy straps and bold faces in colours that match your zinc sunblock. £65 from The Watch Gallery, 129 Fulham Road, London SW3, and 11 New Bond Street, Bath.  
• If you own your own ski equipment you'll want to keep it (apart from the expense of



3. Above: bum-bags are not known for their chic but unless you have capacious pockets yourself or are accompanied by a male companion with ditto every skier needs one. Certainly not chic but useful and fun are the animal carry-alls (choose from pandas, racoons or, here, Koalas) sold by Snow + Rock, £28.50.



4. Above: softest leather lined with sheepskin makes one of the chicest hats on the slopes. If you're into flying as well you can get double wear out of your Biggles Hat. £109. (p+p £1) from Snow + Rock. Left: blue and white striped Happysock - just the thing for those who carry more on the slopes than the small bum-bag can carry. Folds up into almost nothing. £12.99 (p + p 50p) from Snow + Rock.



5. Above: serious skiers wear their knee injuries like a badge of courage - years of mogul jumping leaves their knees in dire need of some support. Whittaker's supports are the brightest and most fashionable. Should be properly fitted in the shop. £24.99 from Ellis Brigham.

replacing them it takes the gloss off the glutwein if, as once happened to me, you emerge from the stube! to find you're stranded up a mountain with no means of getting down it) so invest in the Fireprint Initialiser and imprint your initials on skis and sticks. £9.95 for the kit.  
• Even if you've never hit the slopes before yourself, you'll have had a ski holiday (it) so invest in the Fireprint Initialiser and imprint your initials on skis and sticks. £9.95 for the kit.

complaining about his feet in the kind of detail that is normally thought appropriate only in the consulting room. Instead of boring your friends take your problem to Snow + Rock where its Boot Clinic promises to give kind and serious attention to the matter.

• Cold mortals can now buy heated gloves - essentially a glove with a zip compartment where a hot liner pack can be placed. £39 a pair, Mycool warmers \$99 for a pack of two, from Snow + Rock branches.

• Warmest, lightest thermal underwear - either Helly-Hansen, which I've just worn skiing in the Rockies in temperatures down to minus 20deg and found excellent. In navy, turquoise or pink, slim fitting, made from 100 per cent Polypropylene, £10.95 (p+p £1) each for long-sleeved vest and longjohns from Alpine Sports, 466/8 The Strand, London WC2, and branches: or pure silk thermal underwear, in cream or navy, at £19.95 each for vest and longjohns, from The Survival Shop, 11-13 West Colonnade, Euston Station, London, NW1 2DY or by mail from Survival Aids, Morland, Fenrith, Cumbria.

• Yuppiedom wasn't all wasted - it has left us with some lasting benefits, like a few helpful services started by some enterprising companies to cater to the needs of people who work long hours. Snow +

rays, both of which are intensified by reflection from the snow. Always protect the lips - all the well-known makes like Pix Balm, Clinique and Bergasol have good lip protectors and I like particularly the Pix Balm Glacier Cream which, though quite oily, I always feel is giving my skin some protection from wind and cold.

• Finally, don't forget this year's essential accessory - Zinc Sunblock Cream, until last year only available abroad, but now on sale in our very own sports shops.

Choose from white, green, pink, orange and other equally outrageous colours. £2.50 a jar (30p p+p) from Snow + Rock, 188 Kensington High Street, London, W8 and 47 Stephenson Street, Birmingham.

Cookery/Philippa Davenport  
**Game for a laugh**

LATE JANUARY and early February are usually the nastiest weeks of the year. This is the season when the bitterest winds blow and snow is most likely to fall. I have noticed too in years gone by that when my stocks of candles and night-lights are almost exhausted, power cuts and burst pipes are liable to occur.

Even if winter does not hit us hard this is an undeniably lack-lustre time of year and the thought of casseroles and stews richly flavoured with game is deliciously cheering.

Each of the following recipes can easily be made in double quantities. Enjoy some now, store the rest in fridge or freezer to draw on later. Reheat them the conventional way in the oven. Or use a saucepan placed over a camping gas stove in an emergency. More romantically, you could use an old-fashioned stewpot nestled in the hot ash fringes of a good log fire.

**CIVET OF HARE**

(serves six or more)  
A fine hare is needed for this dish. The flavoured young liver is too mild. Get the butcher to joint the hare and to strip off the tough blue-white membrane that encases the saddle and legs. He should also give you a little polythene bag containing the hare's blood and its liver, which will thicken the gravy deliciously. The liver gives the gravy a slightly grainy look. If you think this spoils the appearance of the dish you may prefer to thicken the gravy with the blood only; cut the liver into lobes, saute it and add it directly to the civet.

One hare, jointed; a piece of streaky bacon weighing about half a pound; second half pint red wine and six to eight tablespoons port, cloves, bay and thyme; melted bacon fat or butter for frying; one large onion; six to twelve sweet pickled prunes (if not available, accompany the dish with

rowanberry, crab apple or redcurrant jelly); three quarters of a pound of fat; rib cage and other hare trimmings.

Mix the port and wine together. Add some peppercorns, a couple of bay leaves, four cloves and a few sprigs of thyme, all bound with mortar and pestle. Put the hare joints into the mixture and leave to marinate for 24 to 48 hours.

Dice the bacon and fry it for a few minutes in a non stick pan. Transfer it to a casserole. Drain the hare from the marinade and dry it, reserving the liquid. Dust the meat with flour and brown it all over, adding extra bacon fat or butter to the pan as necessary.

Put the hare into the casserole. Then colour the chopped onion and add that too. "Wash out" the frying pan first with the marinade liquid then with the stock, letting each mixture come to the boil before you pour it into the casserole. Add some salt and pepper and a few herbs.

Cover tightly and cook at 300 to 325F (150-160C) gas mark 2 or 3 for two to three hours until the hare is tender. Add the prunes to the pot for the last 15 minutes of cooking time.

Just before serving, lift the hare joints and the prunes out of the casserole and keep them hot. Quickly whisk together in a food processor or blender the hare's liver and its blood. Beat in a spoonful of the hot gravy then stir this mixture into the casserole. Cook very gently indeed for a few minutes - on no account boil - until the gravy thickens.

Season with salt and pepper, add a shake of Worcester sauce, a squeeze of lemon juice and/or a pinch of sugar as you wish. Then return the meat and prunes to the casserole for serving.

Very plain accompaniments are best with this rich dish. I like nothing better than plain boiled noodles and plenty of watercress.

**VENISON WITH TURKISH DOOMS**

(serves six to eight)  
Venison is becoming increasingly easy to buy now that deer farming is gaining popularity. I still think good wild venison tastes best but farmed is undoubtedly more consistent in quality, marinating is always advisable, I think. The meat is used to make a dark and savoury stew that is handsome as well as delicious.



**PIGEON BREASTS WITH CABBAGE**

This easy and agreeably inexpensive recipe comes from Julia Drysdale's admirable book *Classic Game Cookery* (Macmillan). One medium sized hard cabbage; ten to twelve pigeon breasts (simply slice the breasts off and use the rest of the meat and the carcass to make the stock); ten to twelve slices of streaky bacon; one ounce butter or bacon fat; one onion and two carrots; juniper berries and a scrape of nutmeg; about three quarter pint stock.

Slice the cabbage and discard the woody core. Parboil the slices in boiling salted water for seven minutes. Drain thoroughly and press out all the water.

Wrap each breast in a slice of streaky bacon and secure the breast with a wooden toothpick. Brown the breasts in butter or bacon fat, then slice and very lightly brown the onion.

Put half the cabbage in a deep casserole. Lay the breasts on top, then the onion, sliced carrots, some crushed juniper berries, salt and pepper and nutmeg. Cover with the remaining cabbage, and pour in enough stock to come about half way up.

Cover with greaseproof paper and then a tight fitting lid. Cook at 275F (140C) gas mark 1 for about three hours.

Then add a little more fat to the frying pan and lightly colour the finely chopped onion. Sprinkle a scant two tablespoons over the onions. Pour on the marinade liquid and the stock or consomme and stir well as you bring the mixture to the boil. Tip the contents of the pan into the casserole, season and add a bouquet garni. Push the meat well down into the gravy. Cover tightly and cook at 300 to 325F (150-160C) gas mark 2 or 3 until the venison is really tender.

Remove the bouquet of herbs and check the gravy for seasoning. Then add the walnuts (cut in half) and the mushrooms, stirring them in here and there.

Cover and cook for a further 20 minutes or so to heat the mushrooms and walnuts. Scatter lavishly with chopped parsley and fleurons or croutons just before serving.

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ARTS

Max Loppert reviews Covent Garden's new production of Wagner's 'Parsifal'

Musical highs and theatrical lows

THE NEW Royal Opera Parsifal... The first production of Parsifal... The opera is a masterpiece of Wagner's art...

the theatre for whose special conditions the festival work of stage consecration was specifically created... The opera is a masterpiece of Wagner's art...

wide compass, is a rare delight. Both performers are young, comely, fresh, intelligent... Robert Lloyd's personable, still-youthful Gurnemann...



Peter Seiffert as Parsifal: a promising British opera debut

a localized, naturalistic, here-and-now frame on the work which adds nothing to its understanding, detracts sorely from its mythic-symbolic-philosophical overtones...

(The Mr Chips-like Gurnemann, who masterminds the "performance," is the motto-figure of this production)... Kurtág's Trousseau cycle...

Kurtág: love and loss

ALREADY recovered from their Sunday marathon, the London Sinfonietta offered a thoroughly rewarding programme on Thursday...

Hans Abrahamson's new Lied in Full, a cello concerto, is characteristically soft-voiced, unassertive, introspective...

Kurtág's Trousseau cycle, 21 raw-nerve vignettes of love and loss, remains one of the wonders of the decade...

Radio

'Dream-time' and didgeridoos

THE FIRST of the 13 Sunday programmes with which Radio 4 is to mark Australia's bicentenary...

More interesting were the Aboriginal legends of their "Dream-time," when the Great Rainbow Snake blew boys and girls out of a didgeridoo...

Australian Master of the Queen's Music; and Penelope Thwaitz spoke in Music Weekly about "Australian-ness" in Australian music...

Social politics is the flavour of the month on Radio 4, with a six-part study of the demonstration of 1968 on Wednesday (repeated Sundays)...

Book Review

About the House

THE ROYAL OPERA HOUSE IN THE TWENTIETH CENTURY by Frances Donaldson... The book is a history of the Royal Opera House in the twentieth century...

(No jutting dancing allowed) he was also affectionately called Aunt Kate... The book is a history of the Royal Opera House in the twentieth century...

present state of English music criticism is a national misfortune... The book is a history of the Royal Opera House in the twentieth century...

about certain ballets; to state that Nureyev had the "greatest stage presence since Heppmann" and was "probably" the most talented dancer seen in London since Nijinsky...

All the other works were conducted by Diego Masson with his usual acuity... The book is a history of the Royal Opera House in the twentieth century...

Clement Crisp

David Murray

Compact disc details

DETAILS about the compact disc: David Murray reviewed in the Weekend FT last Saturday were inadvertently omitted...

duet. 3 movements from Petrushka, Katia & Marielle Labèque. Philips 420 822-2... The book is a history of the Royal Opera House in the twentieth century...

Time to look again at Whitehall farce. Michael Coveney reports Revived by 'One for the Pot'

ONE FOR THE Pot by Ray Coveney and Tony Hilton... The book is a history of the Royal Opera House in the twentieth century...

mark the occasion by signing over a large amount of money (now it is £10,000) to the last living relative of a former employee... The book is a history of the Royal Opera House in the twentieth century...

But the third act throws up an Irish conjurer and the final curtain a French claimant... The book is a history of the Royal Opera House in the twentieth century...

emphatically unfunny. But in Barry Killerby, the star part finds an interpreter of talent and originality who forbids comparison with Brian Rix... The book is a history of the Royal Opera House in the twentieth century...

CHINA PHOTOGRAPHS BY HIROJI KUBOTA BARBICAN CENTRE FEB 5 TO MAR 6 MON TO SAT 9.00 AM - 7.15 PM SUN 12.00 - 7.30 PM ADMISSION FREE SPONSORED BY Mobil AND Fuji

The Royal Opera PARSIFAL Richard Wagner New production sponsored by The Friends of Covent Garden... Tickets from £2 01.240 1066/1911

Art Galleries ALABAMA HAND EMBROIDERED SILK PICTURES... CLUBS THE CLUBS THE CLUBS THE CLUBS



UK COMPANY NEWS

# US losses prompt 22.5% decline at John Menzies

By Maggie Urry

LOSSES IN its US business led John Menzies, the retail and wholesale group, to sustain a 22.5 per cent drop in pre-tax profits in the half year to end-October.

On sales up 18 per cent to £410m, pre-tax profits fell from £4m to £3.1m. Earnings per share were down 45 per cent at 2p.

Mr John Menzies, chairman, warned last September that first half profits would be flat but the market had not expected the downturn and the shares fell 17p to close at 81p.

However, Mr Menzies said that Christmas sales had matched forecasts and he foresees "an acceptable result at the year end".

The group has changed its year end to April, and most of group profits are made in the second half.

Trading losses from the US, where the group has a chain of 31 Early Learning Centre shops selling educational children's goods, increased from £2.1m to

£3.2m. Mr Ronald Noel-Paton, managing director, said sales volumes were too low and a number of options were currently being reviewed.

In the UK trading profits rose from £7.6m to £7.9m. Trading conditions in retailing were difficult, said Mr Noel-Paton: the hot summer weather had held back sales growth and the train strikes, which affected the group's station bookstalls, had cost £100,000 a day in lost sales.

Nonetheless the John Menzies chain had increased sales by 6.5 per cent on a like-for-like basis and the Hammonds bookshops saw sales up 12 per cent. Sales of the UK Early Learning Centres had been 20 per cent higher.

The newspaper and magazine wholesaler business had now settled down after the shake up of two years ago, although margins are lower.

Mr Noel-Paton said there had been a big increase in sales of

the record, CD and video wholesaling business following the purchase of Wynd Up early in 1989.

The office supplies wholesale business had grown satisfactorily, and the group had formed a joint venture with Reliable Corporation of the US to expand in the mail order office supplies field in the UK and Europe.

The interim dividend is raised from 3p to 3.25p.

COMMENT

The sorry saga of the US Early Learning Centres seems unending, and it may be some time yet before it either comes right or is stopped, especially as the US retail scene is now gloomy. Menzies is convinced that the formula should work - as it does in the UK - but unfortunately the customers have yet to feel the same. Meanwhile, the UK end is suffering from the same economic misery as other retailers, though at least selling books and newspapers is less affected than most areas. In all the group may produce profits of £7m or so for the year. There is no comparative figure to work on, though in the 52 weeks to end January 1989 the group made £28.1m. A prospective p/e of 11.3 is not attractive.

# Dewey Warren tops £11m

DEWEY WARREN, the financial services group, showed a substantial lift from £4.06m to £11.1m in pre-tax profits for 1989.

That included £2.54m exceptional credit from the sale of the investment in Morgan Grenfell. The operating profit took in £2.36m on the disposal of other investments.

In November the company announced the proposed acquisition of certain interests of Robert Fraser should not proceed, and extraordinary costs of £1.28m have been charged.

It was also decided that ways would be sought to maximise the company's potential for shareholders, including seeking an offer. A number of companies had shown interest and discussions were continuing.

Turnover advanced to £23.82m (£8.29m). Interest soared to £10.06m (£18,000).

Last February the group acquired Argyle Trust, whose major operating subsidiary is a second mortgage lender, at a cost of £25.45m.

The market for second mortgage finance was currently less buoyant because of high interest rates. The directors expected the situation to improve, however, and there was reason to expect the business and profitability of Argyle to accelerate in 1990.

# A survival plan which backfired

Clay Harris looks at the changing fortunes of Southwest Resources

SOUTHWEST Resources, once Mr Max Lewinson's other company, this week steps in to share the spotlight with Dominion International Group, the financial services and property concern in the hands of court-appointed administrators.

Tomorrow, Southwest will announce results for the six months to September 30, the first figures to reflect its diversification from oil and gas into Hong Kong property management in the waning days of Mr Lewinson's regime.

Mr Lewinson was last August ousted as chairman less than a fortnight after his forced departure from Dominion, Southwest's largest shareholder at the time. He left Southwest after receiving a unanimous written notice to quit from fellow directors who rejected his contention that his position on the board was not tied to his role at Dominion.

Southwest bears little resemblance to the company which reported a £389,000 loss before tax at the interim stage in 1988-89, a deficit which deepened to £11m for the full year. Even Southwest's stockbroker has not forecast a result for tomorrow, and attention will focus less on the figures than on the board's signals about the group's future direction.

Last summer Southwest narrowly escaped a fate similar to

Dominion's. "We were insolvent and there was a danger of bankruptcy," Mr Kenneth Keep, managing director, said. Survival was achieved through a three-part plan organised by Mr Lewinson. The company agreed to buy Dominion's Hong Kong-based Guardian Property Management for £6.8m in shares and asked shareholders for £10.4m through a five-for-two rights issue at 8p. The third element was a £20.5m capital reduction.

Together, the moves were intended to offset the cost of writing down Southwest's US oil and gas reserves. In its 1988-89 accounts, the balance sheet showed net assets of only 1.4p per share but a pro forma post-rights figure of 4.2p.

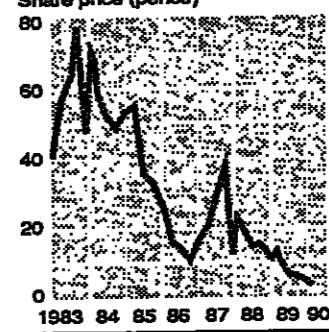
The shares-out, cash-in combination resembles what Mr Lewinson later tried at Dominion: the sale of Film Finances, the film production guarantor, for cash and the acquisition of York Associates, a US mortgage services company, for paper.

Mr Lewinson's insistence that Dominion could have been saved if the plan had not been dropped after his departure is contested by Dominion's new management.

One question which remains is how could the Guardian deal have been in the interests both of Dominion and Southwest shareholders? "It was a del-

## Southwest Resources

Share price (pence)



cate balance," says Mr Keep. The transaction was opportunistic, he admits. "We knew that it [Guardian] was cash positive, generating small profits and available for sale entirely for shares." But Mr Keep insists that Southwest paid a "fullish" price and notes Dominion took out a £1.5m cash dividend before the sale.

What is certain is that the deal backfired badly on Dominion. It had cut its Southwest stake from 65 per cent in 1983 to 19.6 per cent last May.

In addition to accepting shares for Guardian, Dominion agreed to take up its proportion of the rights issue and to underwrite the rest. When other shareholders shunned the cash call, its stake soared

to 45 per cent, or 120m shares. The flop sent Southwest shares lower, a trend which worsened when Dominion became a forced seller.

In September, under pressure from its bankers to raise cash, Dominion sold 80m shares at only 3.4p each to Mr Clive Mattock, executive deputy chairman of UTC, the corporate finance house, the family trusts of Mr Nigel Wray, the tip-sheet publisher and clients of UTC Securities.

In November, Dominion sold another 20m shares at 4p to institutional clients of Williams de Broe, broker to both companies, leaving it with 20m shares, a 7.4 per cent stake.

Mr Lewinson yesterday noted he had raised £2m for Dominion by selling Southwest shares at 8p at the end of July and said he had received several firm offers from several parties to buy additional shares for between 6p and 7p.

Personally he retains only 13,542 Southwest shares, against the 1m he holds in Dominion.

Southwest has been responsible for most of the £12m which Dominion has written off against its natural resources interests in recent years. However Mr Keep suggests that the Guardian deal was "a drop in the ocean" in terms of determining Dominion's fate.

# More O'Ferrall expands in Belgium via £5.9m deal

By David Owen

MORE O'FERRALL, the outdoor advertising contractor, is set to become the largest force in the Belgian market with the purchase of two local businesses for BFR338m (£5.86m) cash.

The London-based group has entered into a conditional agreement to acquire both the Visibility Group, which owns and leases outdoor advertising sites throughout Belgium, and a division of SA Madou Extension which provides poster, maintenance and building services for Visibility sites.

The deal promises virtually to double More O'Ferrall's share of the Belgian market to almost 35 per cent and to raise to a little below 20 per cent the proportion of overall group turnover derived from Belgium.

"It is an area we have always wanted to expand in but have been limited by the number of new-site opportunities," said Mr Trevor Maund, finance director.

On a less positive note, the transaction will raise the company's gearing to approximately 120 per cent. "We had an acquisition opportunity and had to move quickly in competition with other buyers offer-

ing cash," Mr Maund explained. Profits from the acquired companies are expected to cover the related interest charges.

On completion of the deal, Mr Robert Arckens, Visibility founder, and other family members will resign from the company.

Mr Roger Parisel, manager responsible for More O'Ferrall's Belgian operations, will be appointed managing director of Visibility.

The conditional agreement provides for both BFR30m of assets and investments and BFR14m of net amounts owed from Mr Arckens and associates to be exchanged for cash prior to completion. This is expected to eliminate Visibility's borrowings as at June 30 1989.

As at December 31, Visibility owned or leased more than 1,000 sq m roadside advertising sites and 29,200 2 and 4 sq m sites chiefly in shopping areas. In the year ended June 30 1989, the group made pre-tax profits of BFR29.5m on turnover of BFR284m. Net assets at June 30 1989 were BFR68m.

More O'Ferrall shares were unchanged at 41p.

# Brandon ahead to £0.58m

BRANDON HIRE, the Bristol-based plant hire company which came to the USM in September, reported pre-tax profits of £578,000 for the six months to October 31, an improvement of 15 per cent on the £508,000 for the corresponding period.

Mr Brian Nathan, chairman, said that after an excellent start for the tool hire division, increased pressure from interest rates on customers led to somewhat lower demand for

the second half of the six month period. The catering and furniture hire division, however, continued to make encouraging progress and increased its share of group turnover.

Turnover showed a gain of 39 per cent from £1.99m to £2.77m. Interest payable doubled from £51,000 to £107,000 while tax took £202,000 (£176,000) leaving earnings of 4.6p (4.22p) per share. There is an interim dividend of 1.11p.

# Sun Life personal pension premiums advance sharply

By Eric Short, Pensions Correspondent

SUN LIFE Group last year consolidated its position as a significant force in the UK pensions sector, writing its 5,000th Suntrust Plan (a self-administered director pension plan).

On all money purchase pension arrangements, including the new style personal pensions, new annual premiums rose some 8 per cent from £47.5m to £51.5m and single premiums doubled from £101.2m to £201.5m, including £45m in respect of arrangements used to contract-out of the State Earnings-Related Pension Scheme.

Within this figure, personal pensions themselves accounted for a 48 per cent rise in annual

premiums from £8.8m to £13m and a jump in single premiums from £29m to £100.2m.

Life business written by the group in 1989 was dull by comparison.

New single premiums fell nearly 10 per cent from £23.5m to £22m, while single premiums rose by a fifth, from £219.5m to £257.5m, boosted by a 30 per cent jump in single premium bonds to £219.5m.

Unit trust sales dropped by one third from £51.2m to £33.4m, offset by £13.4m of premiums on the newly-launched Personal Equity Plan and a jump from £7.5m to £16.5m on contributions to its Business Expansion Schemes.

# TR Trustees net assets rise

At the interim stage net asset value of TR Trustees Corporation stood at 175p, up from 147.2p a year earlier.

For the six months to November 30 earnings per share moved ahead from 1.75p to 2.2p. The interim dividend is increased from 1.2p to 1.5p, and a maintained final of 1.8p is forecast.

Total revenue was £7.5m (£6.4m) including £1.6m of £6.07m (£5.06m) and investment income of £1.06m (£901,000). The taxable outcome worked through at £5.56m (£4.27m).

# Delaney sale

Delaney Group has contracted to sell its newly built frehold factory in Fleckney, Leicestershire. The cash proceeds of £252,000 will be used to repay the bridging finance.



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MANAGEMENT: The Growing Business

# European juggling act

Which joint venture, with whom and where?  
Charles Batchelor follows Labelking's progress

After a slow start, Chris King's plans to break into continental markets are beginning to take shape; a series of meetings has taken place over the past two months with his French and Belgian partners. But when his early morning flight to Paris is "stacked" over the French capital in thick January fog, the frustrations of putting together a cross-border deal become too apparent. The 10-minute wait stretches to 25 minutes before the aircraft is finally allowed to land.

Despite continued fog on the ground, traffic on the Paris ring road is fairly light and King's taxi makes good time to SEIC's factory on a modern industrial estate 30 kilometres south-west of the capital. King has taken Ben Neale, a business studies student at Middlesex Polytechnic on six months secondment with Labelking, with him to the day-long meeting. Neale speaks French and has been closely involved in helping King prepare for his Continental expansion. The two have come to France to discuss the outcome of a joint three-day trip to Portugal at the end of November to meet potential Portuguese partners and the progress of the plan for the computer label venture in Belgium.

On the French side at the meeting are Gilbert Boveroux and Daniel Riss, joint founders of SEIC; and Gérard Douzou, manager of an associated printing company based in Rouen. In addition, there is Roland Cuvelier, acting managing director of Turbel, the Belgian partner in the deal, who has driven down from Brussels that morning. Turbel is a label and stationary distribution company with some printing activities. It has turnover of FFr 15bn (€2bn) and a workforce of 27 people.

The meeting takes place in Boveroux's office. The modern furnishings and the space contrast with King's cramped, utilitarian office in Herne Hill, South London (though Labelking also has a modern plant at Boston, Lincolnshire). The language of the discussion is French, which King understands well, though, as he later acknowledges, his command of the spoken language needs improvement. Boveroux starts by summarising his impressions of Portugal. With the exception of one of the companies visited, the Portuguese printers were "folk-foreign" and hardly fitting partners in a pan-European strategy, he suggests. The one company of any size which



Labelking, a South London printer of adhesive labels for the food industry, is attempting to break into export markets. Chris King, founder and managing director of the 18-year old company, plans to establish a joint venture on the continent with a French label printer, Société d'Étiquetage d'Impression et de Conditionnement (SEIC). Labelking and SEIC are similar in

size. The British company employs 42 people and has sales of £2m while SEIC employs 38 and has turnover of FFr50m (€5.2m). They are considering two possibilities: linking up with a Portuguese label printer to establish a low-cost base for printing labels for sale throughout Europe and a joint-venture in Belgium with a Belgian partner to print computer labels.

product and storage data for internal and customer use. The labels may be printed with the company logo or plain (but in either case they must be cut to size) and the backing paper must be perforated to run over the printer sprockets. The market for these labels is very competitive and costs must be held down if the joint venture is to succeed. "My hair stood on end when I saw your prices for the labels," Riss, the more financially-minded of the French duo, tells the Belgian Cuvelier. Costings would be affected by the product mix of the Belgian operation and by a decision on whether to produce for stock or only to order. Would there be sufficient demand for this type of label? asks Boveroux. King acknowledges that at the moment customers do not ask for these labels but that is because they know Labelking does not make them. There would be a sizeable market once it became known they could be supplied, he says. They get down to a detailed costing of the operation,

including the cost of the printing machinery, staff wages, factory space, heat, lighting and insurance. Then King gets a surprise. Where should the printing operation be based? asks Riss. He suggests Labelking's Boston factory or at SEIC's associate company in Rouen. Up to now King had been working on the assumption it would be in Belgium. "We must work out the costs of each location," says Riss. With a short break for rolls and wine brought in by a nearby office catering firm, the discussion resumes. Portugal comes up again and King agrees with the two Frenchmen that they should give greater priority to the computer label venture. They decide to reconsider the idea in a few months' time. (A few days later, however, the largest of the Portuguese companies visited does get in touch and a meeting is arranged in London for later in January.)

They then discuss the printing equipment they would need for the computer label venture. Delivery would take six months but before they can order a machine they must set up a company. King is allotted the task of getting his lawyer to draw up a partnership agreement while Riss says he will ask his accountant to check the costings. They have yet to decide where to base the new company so they will also have to do some more research into matters such as the comparative rates of tax and national insurance in France and the UK. They must also decide whether the computer label venture will sell at cost to the three partners or whether it will make a profit in its own right. And how will capacity of the new venture be allocated among the three partners if one gets a sudden large order? One suggestion from the French side is for the computer label company to sell directly to customers if any of the three partners were unable to negotiate a satisfactory deal. This proposal worries King since it would mean the production company was competing with its owners and would undermine the whole basis for the partnership.

At 5.15pm - after six hours of discussion - the meeting ends. Many issues remain to be resolved but Boveroux is confident the new venture can be up and running by September or October. The financial risks of the computer label venture have been carefully weighed and it would not pose a threat to the viability of the partners even if it did not succeed. Nevertheless King and his partners have reached agreement on an important new departure for their companies. This has been achieved with the minimum of formality and, so far, without involving lawyers or any other professional advisers.

On the return flight to London the following morning King reflects on the meeting. He would have preferred to have tied up more of the loose ends but his lack of fluency in French has limited his ability to start the discussions. He is happy, however, with the rapport he has built up with his French and Belgian counterparts and is satisfied with the progress that has been made. "Our ideas are much more concrete than they were a few months ago," he says.

Previous articles in this series appeared on May 2, May 23, September 5 and November 28. Future articles will continue to follow Labelking's progress.

# The best way to make a stand

Charles Batchelor reports on staff behaviour at exhibitions

Have you exhibited at a trade show recently? Were the staff on your stand friendly or did they stand arms folded, glaring at visitors? Did they rush up to people before they had time to gather their thoughts or did they allow them time to look around? Did they promise to send sales literature but then forget or were the brochures sent with the next post?

How to prepare your staff is just one of the subjects covered in *How to Make Exhibitions Work for your Business*. Author John Talbot explains how, with careful planning, an exhibition can increase sales, raise your company's profile and tell you what your competitors are doing. British companies undervalued the potential of exhibitions in the 1960s and early 1970s but have since become more enthusiastic. This has coincided with the opening of a number of new exhibition halls. In many continental countries exhibitions are an important part of the business year. Many small businesses nevertheless still regard participation in an exhibition as difficult and expensive. This need not be so, says Talbot. He points out that exhibitions provide one of the few opportuni-

ties that companies have to make contact with a large number of potential customers. The businessperson must first decide which sort of exhibition would be most useful. If sales go through wholesalers and distributors then a trade show will be most appropriate but a consumer exhibition will be of value to companies selling directly to the public. If the exhibition has been held before the would-be participant should ask the organiser for audited visitor figures. More important than the crude numbers attending are the status and decision-making power of visitors.

The expense involved will comprise direct costs such as payment for stand space, the construction and fitting out of the stand and special brochures as well as indirect costs such as staff time spent in preparation. One survey of exhibition costs showed renting the space amounted to 26 per cent of costs, stand construction 41 per cent, staffing, transport and catering 17 per cent, stand services such as electricity and water 9 per cent, and publicity 7 per cent. Booking stand space must be done well in advance - more than 12 months ahead with popular exhibitions, Talbot advises. Exhibitors should

make sure they study the fine print of the contract and that they can meet the deadlines laid down. Some shows will require a non-refundable payment of 25 per cent of the rental charge at an early stage. Staff must be chosen for their ability to show the company at its best and they must be carefully briefed about the products on display. The number of staff involved must be chosen carefully since too many people make a stand look disorganised, while under-manning can mean sales are lost. Staff must not be expected to work a full day from 9 am to 7 pm. Standing all day in the artificial atmosphere of an exhibition hall is tiring and a rota system will be needed. Staff who lose concentration may not demonstrate equipment properly or may fail to complete a sale.

In order to assess the effectiveness of exhibiting, the company should draw up a forecast of the numbers of prospective and actual sales they expect to make at the show and the value of these orders. After the show this forecast must be compared with the actual achievement. \*Published by Kogan Page, 120 Pentonville Road, London N1 9JN. 127 pages. £7.95.

## In brief...

Finance and interest rates are the most important problems facing the 2,000 small businesses polled in the latest Quarterly Survey\* of Small Businesses in Britain. Thirty six per cent of respondents highlighted this issue, the highest proportion since the surveys began five years ago. A lack of skilled labour continued to be the second most frequent business problem - cited by 12 per cent. \*Published by Small Business Research Trust, School of Management, Open University, Walton Hall, Milton Keynes MK7 6AA. Tel 0908 655331. £15 per copy or £45 a year.

The service, known as Mobile Assist, gives roadside breakdowns and a recovery service if the vehicle, including light vans up to 3.5 tonnes, cannot be repaired. Card-holders pay for each call-out (£45.50 for roadside assistance, for example) but pay no RAC subscription. The annual subscription for the small company card is £32.50, including the Mobile Assist service. This is the same rate as an American Express personal card, though the company card covers the use of more than one vehicle. American Express first launched its small company card last April, offering disability insurance to cover accidents at work, a telephone business travel and hotel booking service offering corporate discount rates and an annual report giving a break-

down of business expenses. The card is intended to extend services previously restricted to large companies to the smaller firm typically employing between six and 12 people. Card-holders from small companies now number 50,000. A series of one and two-day workshops for established small businesses on subjects such as accountancy techniques, exports, computers in business and negotiating skills is being run by the London Enterprise Agency (LEA) over the next two months. The cost of the sessions ranges from £50 (plus VAT) to £150 (plus VAT) though some are free to businesses which have been trading for less than a year. Contact LEA, 4 Snow Hill, London EC1A 2BS. Tel 01-236 3000.

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INVEST IN DATA Data capture and marketing services company centrally located 1 hour north of London, seeks equity partner for expansion in the UK and European markets.

YUGOSLAVIA ANY TYPE OF BUSINESS We will put you in contact. Contact Partners in Trade Ltd 0242 - 27177 tel 0242 - 27153 fax

MORTGAGES On Commercial & Industrial Properties at prime rates 5/10 years. Interest only. Minimum loan £20,000. Apply to: EBS/STH

FINANCIAL PARTNER sought wishing to invest in residential developments for first time buyers in the South East. Minimum of £250,000 required. For further details Write Box H5701, Financial Times, One Southwark Bridge, LONDON, SE1 9HL

CONSTRUCTION/DEVELOPMENT OPPORTUNITY We are in the Northwest and specialize throughout the country in establishing and operating childrens day nurseries. We would like to joint venture with a construction/development company in expanding our distribution network, taking up synergies between the two markets.

BES ISSUES If you own an expanding profitable business and want to raise up to £500,000 under the BES, call Angus Forrest for details on 01-251 9111. FIMBRA

THE ALTERNATIVE MONTHLY "One of the best alternative magazines in the world" seeks additional equity capital for its development. Write to: The Alternative Monthly, c/o The Editor, 14-15 Magdalen, St Pauls Church, London WC2H 9JF. POLAND - ANY BUSINESS. Contact Dr Ludwik, 043/300012 (p), 0483 02541 Fax.

BUSINESS SERVICES

Harrowell putting people first Consider the benefits of networking PCs. For advice on Office Systems call John Lynch. NOVELL UNIX OS/2 AIX (01) 541-1-541 Harrowell UK Ltd 72 Richmond Rd Kingston Surrey KT2 5EL

PLC seeks to purchase BUSINESS CENTRES located in London/Home Counties. Will consider either individual properties or companies owning multiple outlets. Details in strictest confidence in writing to Box F5587, Financial Times, One Southwark Bridge, London SE1 9HL

SOUTH COAST PORT Wharf/Handing Short Term Open Or Covered Storage Weighbridge Facilities Available Write to Box H5681, Financial Times, One Southwark Bridge, London SE1 9HL

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AVIATION BUSINESS CONSULTANTS Airport, Airline and Aircraft - Feasibility studies, acquisition, disposal, management, development, catering and hotels, personnel and marketing. Century House, Reading, RG2 3EJ. Tel 0235 233641 Fax 0235 39661

BUSINESSES FOR SALE

TOUCHE ROSS CORPORATE SPECIAL SERVICES Our Corporate Special Services Department has a network of offices throughout the UK, offering guidance on corporate care to companies in distress, as well as comprehensive services to creditors and bankers. Contact any of the people at our main offices listed below to find out how they can help you best.

FOR SALE The Business and Assets of RFC - JESCO LIMITED AND GROUP COMPANIES The Joint Administrative Receivers offer for sale the business and assets of the above group, manufacturing chemical dosing and control equipment for the water treatment industry with an annual turnover of £1.44 million.

LEONARD CURTIS BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS PHILIP MONJACK FCA and KEITH D GOODMAN FCA IN THE MATTER OF REE-EVEN LIMITED Offers are invited for the business and assets of this established plant and tool hire company, which operates from purpose-built leasehold depots in excellent locations in West Sussex. Freeholds of premises may be available.

Fully Equipped HEALTH CLUB situated in 1 1/2 acres in a Mediterranean location. To be sold complete as a going concern for circa £900,000. For further information on this and other prime commercial properties in the Med, write in the first instance to: Box H5580, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE Integrated Arts Limited (Agent for Mortgagee Appointed) High Speed Image Processing Technology Expressions of interest are invited for the purchase of a Publicly Listed company whose products include broadcast graphics systems. The company has 3 products nearing completion for release at the National American Broadcasters Conference in March 1990 with potential for worldwide marketing.

Greames Optical Services Limited Also t/a Greames Optical, Newcastle and Swansea Optical, Swansea Opportunity to acquire the business and assets of a well established manufacturer of spectacles and lenses, which also markets spectacle frames and optical equipment. Main centre in Halesowen, West Midlands, also based in Newcastle-upon-Tyne and Swansea.

High Precision Plastics Mouldings The business and assets of LEM Plastics Mouldings Limited are offered for sale by the joint administrative receivers. The company manufactures high quality precision plastic moulded components and finished products from thermoplastic and thermoplastic materials using both compression and injection processes.

Joncare Limited In Receivership For Sale as a going concern, the business and assets of Joncare Limited designers and manufacturers meeting the special needs of the disabled, handicapped and rehabilitated.

Party Plan Business North of England The above company organises the sale of china, fancy goods and glassware through a national network of demonstrators. Projected annual turnover approx £5 million (net) 128 employees Stock has a book value of £2.7 million The company occupies several leasehold premises.

Smith & Williamson Corporate Finance • Corporate Recovery • Taxation • Banking • Investigations Investment Management • Pensions & Life Assurance • Accounting • Auditing The Joint Administrative Receivers offer for sale the Business and Assets of POLYTHENE (UK) LIMITED

MANUFACTURING JOINER Business and Assets for sale Based in Wolverhampton, Stewart Joinery Ltd., specialises in manufacturing and fixing purpose-made quality products. Turnover approximately £1,000,000.

ROBSON RHODES Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

NURSING HOMES A unique opportunity exists to purchase five fully equipped and operational high-grade nursing homes with total of 173 bed spaces in the East Midlands Area. The Homes have been developed privately by the current owners and represent exceptionally profitable operations.

ENGINEERING COMPANY MILTON KEYNES The Joint Administrative Receivers of Afton Engineering Limited, a company specialising in high precision metal work for the electronics, music, photographic and communications industries invite offers for the business and assets as a going concern. Principal features include: Turnover approximately £600,000 per annum

Peat Marwick McLintock Spencer House, Cliftonville Road, Northampton, NN1 5BU Telephone: 0604 3480 Telex: 0604 32397

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LONDON SHARE SERVICE

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BANKS, HP & LEASING

Table listing various bank and leasing companies with columns for stock price, dividend, and other financial metrics.

BUILDING, TIMBER, ROADS - Cont'd

Table listing building, timber, and road construction companies with columns for stock price, dividend, and other financial metrics.

ELECTRICALS - Cont'd

Table listing electrical companies with columns for stock price, dividend, and other financial metrics.

ENGINEERING - Cont'd

Table listing engineering companies with columns for stock price, dividend, and other financial metrics.

INDUSTRIALS (Miscel.) - Cont'd

Table listing miscellaneous industrial companies with columns for stock price, dividend, and other financial metrics.

INDUSTRIALS (Miscel.) - Cont'd

Table listing miscellaneous industrial companies with columns for stock price, dividend, and other financial metrics.

Hire Purchase, Leasing, etc.

Table listing hire purchase and leasing companies with columns for stock price, dividend, and other financial metrics.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for stock price, dividend, and other financial metrics.

FOOD, GROCERIES, ETC

Table listing food and grocery companies with columns for stock price, dividend, and other financial metrics.

DRAPERY AND STORES

Table listing drapery and store companies with columns for stock price, dividend, and other financial metrics.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for stock price, dividend, and other financial metrics.

HOTELS AND CATERERS

Table listing hotel and catering companies with columns for stock price, dividend, and other financial metrics.

BUILDING, TIMBER, ROADS

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INSURANCES

Table listing insurance companies with columns for stock price, dividend, and other financial metrics.

BUILDING, TIMBER, ROADS

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INDUSTRIALS (Miscel.)

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INDUSTRIALS (Miscel.)

Table listing miscellaneous industrial companies with columns for stock price, dividend, and other financial metrics.

LEISURE

Table listing leisure companies with columns for stock price, dividend, and other financial metrics.

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LONDON STOCK EXCHANGE

Firm start to the new trading account

SHARE PRICES continued to move ahead in London yesterday as a firm pound supported the more optimistic views on domestic interest rates...

today in the US on possible extension of Retrovir's usage, and Tate & Lyle, the food group. Trading volume was thin, however, and traders commented that London might need further evidence of improvement in the Tokyo and New York stock markets...

2,328.8, the FT-SE Index was 14.3 higher on the day. Seag volume of 420.4m shares compared with 553.7m on Friday. Daily Seag totals...

FINANCIAL TIMES STOCK INDICES table with columns for various indices like Government Secs, Fixed Interest, Ordinary Share, Gold Mines, FT-SE 100 Share, Ord. Div. Yield, and SEAG Bergains (5pm).

GILT EDGED ACTIVITY table showing Gilt Edged Bergains and 5-Day average.

TRADING VOLUME IN MAJOR STOCKS table listing various companies and their trading volumes.

New views unsettle Unigate

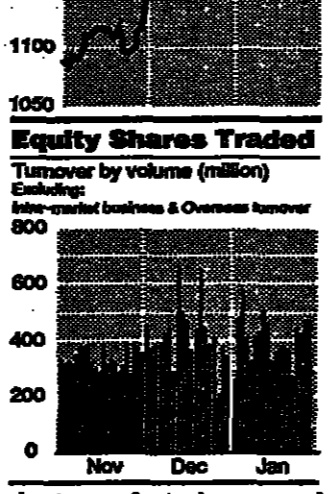
Profits downgradings left Unigate weaker in busy turnover. Mr Richard Workman at Hoare Govett cut his forecast for the current year from £106m to £102m...

FT-A All-Share Index



Equity Shares Traded table showing turnover by volume (million) for various sectors like Inter-Related business & Overseas turnover, and others.

FT-A All-Share Index



Equity Shares Traded table showing turnover by volume (million) for various sectors like Inter-Related business & Overseas turnover, and others.

sector.

Enterprise Oil edged up 2 to 654p in light turnover but dealers noted that 1989 figures are due today from Elf, the French state-owned oil company...

small purchases lifted the "A" shares 9 to 1035p

small purchases lifted the "A" shares 9 to 1035p on desultory volume of 58,000. Sears weakened 2 to 103 in busy turnover of 9.4m shares...

Lucas strengthened ahead of the market, on thin volume for the day. Its exposure to the European Fighter Aircraft project...

British Telecom advanced 6 to 236p, with one of the UK securities houses believed to have recommended a switch into the stock from GEC...

Giftware concern Cowan de Croux moved to 47p, up 4, on news that Wilton had bought a 14.3 per cent holding...

Blue Arrow gloom

Blue Arrow's reorganisation proposals saw the shares slip a penny to 89p. Among other things the company revealed a 13 per cent decline in profits...

NEW HIGHS AND LOWS FOR 1989/90

Table listing new highs and lows for 1989/90 for various companies and sectors.

BRITISH FUNDS

Table listing British Funds with columns for Name, Price, Div, and Yield.

BRITISH FUNDS - Contd

Table listing British Funds - Contd with columns for Name, Price, Div, and Yield.

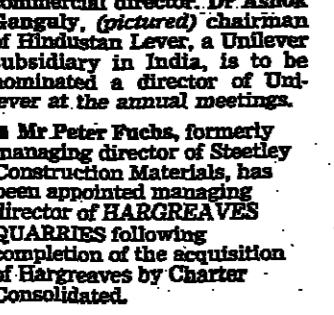
AMERICANS - Contd

Table listing American Funds with columns for Name, Price, Div, and Yield.

APPOINTMENTS

Unilever changes

Two UNILEVER directors will not be seeking re-election at the annual meetings on May 2 having reached retirement age. They are Sir Geoffrey Allen, director of research and engineering, and Mr Henk Meijl, commercial director...



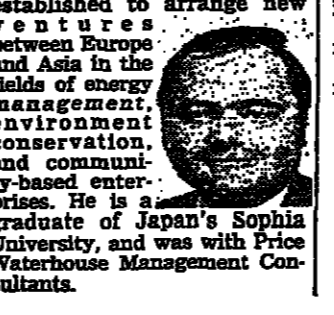
Chairman of Honeywell

HONEYWELL has appointed Mr Dennis Kennedy (pictured) as chairman and managing director of its UK operation. He is a vice-president of Honeywell Europe...



Chairman of Honeywell

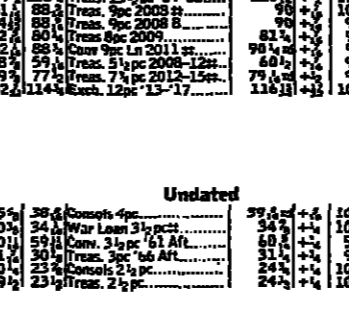
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APPOINTMENTS

Chairman of Honeywell

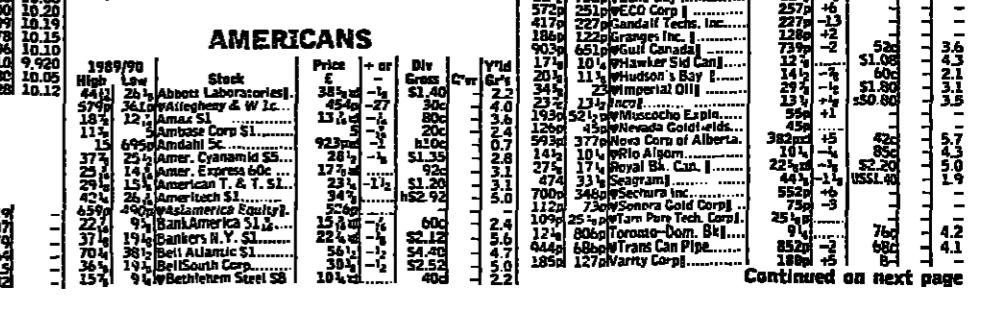
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APPOINTMENTS

Chairman of Honeywell

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Main table containing unit trust information with columns for Unit Name, Unit Price, and other details. Includes sub-sections like 'BANK OF IRELAND FUND MANAGERS LTD' and 'UNIT TRUSTS'. A 'GUIDE TO UNIT TRUST PRICING' is located at the bottom right.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES: This charge is levied on the purchase, redemption and other costs which have to be paid by new purchasers. These charges are levied on the net proceeds of the sale of the units. The price at which units are sold is the net price after initial charges. The price at which units are bought is the net price plus initial charges. The price at which units are redeemed is the net price minus initial charges. The price at which units are sold is the net price after initial charges. The price at which units are bought is the net price plus initial charges. The price at which units are redeemed is the net price minus initial charges.

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LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

Table listing various motor and aircraft trade companies with columns for stock price, high, low, and volume.

Commercial Vehicles

Table listing commercial vehicle companies and their stock prices.

Components

Table listing component parts for vehicles and their market prices.

Garages and Distributors

Table listing garage and distributor companies.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies.

SHOES AND LEATHER

Table listing shoe and leather goods companies.

SOUTH AFRICANS

Table listing South African companies.

TEXTILES

Table listing textile companies.

TOBACCO

Table listing tobacco companies.

PROPERTY

Table listing property and real estate companies.

PROPERTY - Contd

Continuation of property and real estate companies.

SHOES AND LEATHER

Table listing shoe and leather companies.

SOUTH AFRICANS

Table listing South African companies.

TEXTILES

Table listing textile companies.

TOBACCO

Table listing tobacco companies.

PROPERTY

Table listing property and real estate companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

TRUSTS, FINANCE, LAND - Contd

Continuation of trusts, finance, and land companies.

TRUSTS, FINANCE, LAND - Contd

Continuation of trusts, finance, and land companies.

TRUSTS, FINANCE, LAND - Contd

Continuation of trusts, finance, and land companies.

OIL AND GAS - Contd

Continuation of oil and gas companies.

OIL AND GAS - Contd

Continuation of oil and gas companies.

MINES - Contd

Continuation of mining companies.

MINES - Contd

Continuation of mining companies.

OVERSEAS TRADERS

Table listing overseas trading companies.

PLANTATIONS

Table listing plantation companies.

MINES

Table listing mining companies.

MINES

Table listing mining companies.

MINES

Table listing mining companies.

THIRD MARKET

Table listing third market trading.

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Table listing third market trading.

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NOTES

Stock Exchange dealing classifications are indicated by the price of security names...

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks.

IRISH

Table listing Irish stocks.

TRADITIONAL OPTIONS

Table listing traditional options.

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-825-2128

FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information with columns for Name, Price, Offer, Yield, and other financial metrics. Includes sub-sections like 'National Financial Management Corp PLC', 'Royal Heritage Life Assurance Ltd', 'Scottish Widows Group', etc.

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

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FT UNIT TRUST INFORMATION SERVICE

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Main table containing unit trust information, including columns for company name, unit price, and other financial details. The table is organized into sections such as 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling's attractions increase

STERLING LOOKED AN ATTRACTIVE alternative in routine and subdued foreign exchange trading yesterday. There were no strong factors influencing the dollar or D-Mark, and the exchanges took a more favourable view of the pound.

This was partly the result of the narrower than feared UK current account deficit in December, but it may have also reflected the recent move out of other high yielding currencies, such as the Canadian and Australian dollars.

The Canadian dollar was slightly firmer, after recent intervention by the Bank of Canada to support the currency and last week's reversal of the downward trend in the Canadian bank rate. At the close in London the US dollar had eased to C\$1.1880 from C\$1.1940.

The Australian dollar also had a slightly better day, rising to 76.35 US cents at the London close, from 76.00 cents on Friday. Earlier in Sydney trading was quiet, with the Australian dollar finishing at 76.25 cents. It fell from a peak of 76.55 cents, on reports of Japanese selling.

Recent indications have pointed to Japanese investors moving out of the high yielding Canadian and Australian dollars, as interest rates supporting both currencies have tended to ease.

changed against the Japanese yen. There were no fresh factors, but speculation about an easing of the Federal Reserve's monetary policy weighed on the dollar. Publication of the proposed US budget for the next financial year had little impact.

The dollar fell to DM1.6795 from DM1.6930; to SFr1.4855 from SFr1.4975; to FFfr.7050 from FFfr.7150; and to Y43.15 from Y43.30. On Bank of England figures the dollar's index fell to 66.7 from 67.1.

Members of the European Monetary System traded quietly, with all currencies holding within their agreed divergence limits. The Italian lira remained the strongest EMS currency. The lira was steady against the D-Mark, but rose to an 18-month high against the dollar at the Milan fixing. The dollar was fixed at L1.354.05, against L1.355.30 on Friday.

FINANCIAL FUTURES AND OPTIONS

Table with columns for Futures and Options prices for various currencies like Sterling, Euro, and Japanese Yen.

Table showing LONDON (LIFFE) market data for various futures contracts.

Table showing US TREASURY BONDS and other financial instruments.

Table showing EURO CURRENCY INTEREST RATES for various banks and currencies.

Table showing POUND SPOT-FORWARD AGAINST THE POUND with columns for spot and forward rates.

Table showing DOLLAR SPOT-FORWARD AGAINST THE DOLLAR with columns for spot and forward rates.

Table showing EMS EUROPEAN CURRENCY UNIT RATES for various European currencies.

Table showing EXCHANGE CROSS RATES for various international currencies.

Table showing FT LONDON INTERBANK FIXING rates for various currencies.

Table showing MONEY RATES for various currencies and instruments.

Table showing LONDON MONEY RATES for various financial instruments.

£ IN NEW YORK

Table showing exchange rates for £ in New York.

STERLING INDEX

Table showing the Sterling Index for various time periods.

CURRENCY RATES

Table showing various currency rates for different countries.

CURRENCY MOVEMENTS

Table showing currency movements and changes in rates.

OTHER CURRENCIES

Table showing rates for other major currencies like the Australian dollar.

MONEY MARKETS

Soft tone continues

THE TONE on the London money market remained soft yesterday as sentiment continued to benefit from Friday's announcement of better than expected UK trade figures.

As sterling improved on the trade position interest rates eased slightly, where changed, but trading was generally quiet.

The threat of higher bank base rates has faded, but there is also little expectation of lower rates in the foreseeable future. Three-month sterling interbank was quoted at 15 1/2-15 3/4 per cent, compared

UK clearing bank base lending rate

15 per cent from October 5

with 15 1/2-15 3/4 on Friday, and 12-month money was unchanged at 15 1/2-14 3/4.

The Bank of England initially forecast a day-to-day credit shortage of £200m, but revised this to £300m at noon and to £400m in the afternoon. Total help of £299m was provided.

The authorities did not operate in the market before lunch, but in the afternoon bought £175m bank bills outright, by way of £75m bank bills in band 1 at 14 1/2 per cent; £3m Treasury bills in band 2 at 14 1/2 per cent; and £96m bank bills in band 2 at 14 1/2 per cent. Late

assistance of around £125m was also provided. Bills maturing in official banks, repayment of late assistance and a take-up of Treasury bills drained £1,039m. This outweighed Exchequer transactions adding £270m to liquidity, a fall in the note circulation of £258m, and bank balances above target of £18m.

In Frankfurt call money fell to 7.50 from 7.60 per cent as banks were well supplied with liquidity towards the end of the month. Public sector salary payments boosted the amount of money held by the banks.

The only factor keeping the market cautious was the size of the Bundesbank's reserve requirement for January. This was provisionally set at DM60.8bn, but in the present circumstances it is feared that the final figure could be higher. This will be announced after the end of the month, when the central bank has more details of the commercial banks cash holdings. Reserve holdings eased to DM57.7bn last Thursday, from DM59bn on Wednesday, to average DM61.1bn for the first 35 days of January.

The Bundesbank will set the terms of this week's securities repurchase agreement tender today, and is expected to offer a two-tranche pact at variable bid rates, offsetting two facilities totalling DM29.7bn expiring on Thursday.

Treasury Bills (bill), one-month 14 1/2 per cent; three months 14 1/2 per cent; Bank Bills (bill), one-month 14 1/2 per cent; three months 14 1/2 per cent; Treasury Bills (bill), one-month 14 1/2 per cent; three months 14 1/2 per cent.

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COMPANY NOTICES

BANK OF CHINA U.S. Dollar Floating Rate Notes due July 1990 - WGN 478 543

Deutsche Bank Ag Aktiengesellschaft

ROYAL BANK OF CANADA U.S. \$300,000,000 Floating Rate Debentures due 2006

KENWOODS RENTAL QUALITY FURNISHED FLATS AND HOUSES

WORLD OF DRAWINGS AND WATERCOLOURS Park Lane Hotel, Piccadilly, W1. 24-28

FOOD INDUSTRY The Financial Times proposes to publish this survey on: 6th March 1990

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

JOTTER PAD

CROSSWORD No. 7,151 Set by FETTLER

BRITAIN'S REGENERATION FUND SICAV

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

COUNTRY PROPERTY ADVERTISING APPEARS EVERY WEEK IN THE WEEKEND F.T.

BRITAIN'S REGENERATION FUND SICAV (continued)

CROSSWORD (continued)

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FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information, organized into columns for various regions: DUBLIN (\*\*), OFFSHORE INSURANCES, ISLE OF MAN (\*\*), LUXEMBOURG (\*\*), GUERNSEY (\*\*), SWITZERLAND (EU RECOGNISED), CANADA (EU RECOGNISED), and other offshore funds. Each entry includes fund name, price, and performance metrics.

Money Market Trust Funds

Table listing Money Market Trust Funds with columns for fund name, price, and performance.

Money Market Bank Accounts

Table listing Money Market Bank Accounts with columns for bank name, account type, and interest rate.

DUBLIN (\*\*)

OFFSHORE INSURANCES

ISLE OF MAN (\*\*)

LUXEMBOURG (\*\*)

GUERNSEY (\*\*)

SWITZERLAND (EU RECOGNISED)

CANADA (EU RECOGNISED)

OTHER OFFSHORE FUNDS

UNIT TRUST NOTES: Please refer to these notes from prospectus... Price is the unit price... Dividend is the dividend... etc.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices January 29

Main table of stock prices with columns for stock name, price, and change. Includes a small inset image of a person in the bottom left corner.

Continued on Page 43

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WORLD STOCK MARKETS

Table listing stock market data for Australia, including company names and their respective prices and changes.

Table listing stock market data for Germany, including company names and their respective prices and changes.

Table listing stock market data for Italy, including company names and their respective prices and changes.

Table listing stock market data for Sweden, including company names and their respective prices and changes.

Table listing stock market data for Canada, including company names and their respective prices and changes.

Table listing stock market data for Denmark, including company names and their respective prices and changes.

Table listing stock market data for Norway, including company names and their respective prices and changes.

Table listing stock market data for Spain, including company names and their respective prices and changes.

Table listing stock market data for South Africa, including company names and their respective prices and changes.

Table listing stock market data for Japan, including company names and their respective prices and changes.

Table listing stock market data for France, including company names and their respective prices and changes.

Table listing stock market data for the Netherlands, including company names and their respective prices and changes.

Table listing stock market data for the UK, including company names and their respective prices and changes.

Table listing stock market data for Hong Kong, including company names and their respective prices and changes.

Table listing stock market data for Malaysia, including company names and their respective prices and changes.

Table listing stock market data for the Philippines, including company names and their respective prices and changes.

Table listing stock market data for Singapore, including company names and their respective prices and changes.

Table listing stock market data for Thailand, including company names and their respective prices and changes.

Table listing stock market data for Taiwan, including company names and their respective prices and changes.

Table listing stock market data for the US, including company names and their respective prices and changes.

TORONTO 4pm prices January 29. Table listing Toronto stock market prices for various companies.

INDICES. Table listing various stock market indices and their values.

NEW YORK DOW JONES. Table listing Dow Jones Industrial Average and other market indicators.

STANDARD AND POOR'S. Table listing Standard and Poor's 500 Index and other market indicators.

NEW YORK ACTIVE STOCKS. Table listing active stocks in New York and their trading activity.

CANADA TORONTO. Table listing Toronto stock market prices for various Canadian companies.

MONTREAL 4pm prices January 29. Table listing Montreal stock market prices for various companies.

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MILLE BREAK-FIRST advertisement featuring a cow and text: 'Some days are better than others. Especially those which begin with a breakfast from MILLE BREAK-FIRST...'.

Keep the world in focus. FINANCIAL TIMES advertisement featuring a globe and text: 'For many executives that could be a daunting task were it not for the Financial Times. The FT has breadth and depth of vision...'.

AMERICA

Early rally fizzles out on round of programme sales

Wall Street

AFTER a brief attempt to rally at the opening, the equity market started drifting lower again in low volume, writes Janet Bush in New York.

which came on the heels of better performances in Tokyo and London, soon fizzled out. The market was then driven lower by a round of programme sales.

surrounding the stock faded. Raters of Britain denied rumours on Friday that it was prepared to make a \$25 a share bid.

Europe tiptoes on an East-West tightrope

MARKETS IN PERSPECTIVE table with columns for % change in local currency and % change in US \$, and rows for various countries including Austria, Belgium, Denmark, etc.

By William Cochrane

A TENTATIVE recovery in Japan was scant compensation for the continued slide on Wall Street last week.

such as Hoare Govett who say that, while there may be scope now for a small rebound, the trend continues to be downwards.

Bank sees 15% gain in US

By William Cochrane

THE US equity market is unlikely to move out of its present phase until the spring or early summer, but it could end 1990 with a good performance overall, according to Kidder Peabody, the US investment bank.

Reduced earnings expectations have been at the heart of the market's problem, he added: a rise in earnings per share of 63 per cent in the three years to December 1989 included a rise of only 2 per cent in 1989.

and the sometimes disastrous effect on company results. However, he said, Kidder Peabody was looking for an alternative to this scenario.

Europe Bourses call a halt to three-week downtrend

By William Cochrane

CONTINENTAL bourses seemed ready to call a halt to their downward trend yesterday after three weeks of decline, writes Our Markets Staff.

profits in spite of significant restructuring costs; but Sulzer, the machinery group, closed at 375, a 2% decline, although it expected markedly higher profits for last year.

the end of last week improved, with Michelin, the tyre company, up FFr6 at FFr193.

MADRID was a little firmer after last week's decline, as the general index picked up 1.34 to 377.85.

sharply on Friday as a result of the speculation. Société Générale advanced BFr90, or 2.7 per cent, to BFr3,460 in lively trade.

Asia Pacific Nikkei rebounds above 37,000

Tokyo

CONTINUING CALM on the bond market and the firmness of the yen helped to give share prices a strong boost, but volume remained paltry, writes Michiyo Nakamoto in Tokyo.

of the Capital Markets Trading Department at Sanwa Bank. Investors were finding it very difficult to see where the yen was heading and, in turn, what the market faced in coming weeks, he said.

Mixed trading took the OSE average in Osaka moderately higher to 37,936.43, up 82.62.

Disappointments on the day included Deutsche Bank, held to a DM2 gain at DM516 on rumours of a rights issue; and Klöckner Werke, which is said to be asking British Steel for a high price for its Mannesmann subsidiary.

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for NATIONAL AND REGIONAL MARKETS, MONDAY JANUARY 29 1990, and FRIDAY JANUARY 26 1990. Rows include Australia (84), Austria (18), Belgium (81), Canada (120), Denmark (36), Finland (25), France (125), West Germany (96), Hong Kong (48), Ireland (17), Italy (60), Japan (85), Korea (36), Mexico (13), Netherlands (43), New Zealand (18), Norway (24), Singapore (26), South Africa (60), Spain (20), Sweden (35), Switzerland (62), United Kingdom (308), USA (542), and The World Index (2391).



NYSE COMPOSITE PRICES

NASDAQ NATIONAL MARKET

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change. Includes a section for 'SPECIAL DIVIDENDS' with details on dividend payments and dates.

Table of NASDAQ National Market listing various stocks with columns for stock name, price, and change. Includes a section for 'SPECIAL DIVIDENDS' with details on dividend payments and dates.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

Advertisement for F.T. hand delivered, featuring the logo for COPENHAGEN OR AARHUS and contact information for K. Mikael Heino.

EUROPEAN NEWS

ALARM OVER PROSPECT OF GERMAN REUNIFICATION

Polish premier seeks frontier guarantees

By Ian Davidson in Strasbourg

MR TADEUSZ Mazowiecki, Prime Minister of Poland, yesterday voiced in unusually firm terms his country's anxieties at the prospect of German reunification and demanded guarantees of the permanence of Poland's western frontier.

BETWEEN 600,000 and 1m Poles are working unofficially in West Germany and West Berlin, according to Mr Jacek Kuron, the Polish Labour Minister, writes David Goodhart in Bonn.

Mr Kuron signed an agreement in Bonn allowing the number of officially sub-contracted Polish workers in West Germany to increase from 9,500 to 11,000.

which will guarantee the inviolability of the western frontier of Poland.

belonging to Europe and the European heritage," he said.

Since last year Poland and Hungary, together with the Soviet Union and Yugoslavia, have had special guest status in the Council of Europe, which allows them to send delegates to attend and speak in debates of the Council's Parliamentary Assembly, as well as in certain committee meetings.

Old fears return to haunt citizens of new Romania

Victor Mallet watches a rough political game

AN OLD-FASHIONED sort of fear has begun to reappear in Romania less than six weeks after the December revolution which toppled Nicolae Ceausescu.

THE HEAD of the Romanian Broadcasting service resigned yesterday as chief spokesman of the ruling National Salvation Front.

National Liberal Party, had to abandon their offices on Monday when they were besieged by thousands of pro-Government demonstrators.

Six more killed in Kosovo

AT LEAST six people, including a policeman, were killed in clashes in Yugoslavia's Kosovo province yesterday over demands by ethnic Albanians for political reforms.

Court frees Honecker on health grounds

By Leslie Collitt in Berlin

MR ERICH HONECKER, the former East German leader, was released from detention yesterday after an East Berlin court ruled he was too ill to be held in custody.

The Chief Public Prosecutor, Mr Hans-Jürgen Joseph, appealed against the ruling, apparently with the support of many East Germans.

today as 11 senior members of Leipzig district council, including the chairman, Mr Joachim Draber, handed in their party cards.

Kohl, the West German Christian Democratic Chancellor, on establishing links between the two parties.

Finland's trade balance in red

Finland's trade balance dropped to a deficit of FM5.5bn (€835m) last year on a surplus of FM7.84m in 1988, according to figures released by the National Board of Customs.

Ruling Communist party hard-pressed to contain social unrest

Bulgarian opposition spurns coalition offer

By Judy Dempsey in Sofia

BULGARIA'S ruling Communist party yesterday invited the independent opposition to form a government of national consensus, an offer immediately rejected by the opposition.

show the population that there is unity. Even if they offered us all the government posts, it would not change anything.

Mr Lothar de Maiziere, head of the East German Christian Democrats (CDU), also signalled his withdrawal from the Government as Deputy Prime Minister.

equipped to restructure the economy, a point which Mr Mladenov touched upon yesterday when he hinted that Mr Georgi Atanasov, the lacklustre Prime Minister, might soon be replaced.

Dutch threaten to break Nato ranks

By Laura Raun in Amsterdam

AFTER YEARS of conspicuously good behaviour in Nato, the Netherlands is stepping out of line again as it rushes to disarm more quickly than some allies might like.

Mr Belus ter Beek, the Defence Minister, argued that the Netherlands must go beyond current CFE cuts, which will primarily affect the US and Soviet Union.

EC judgment wins a place in history

By Tim Dickson in Brussels

A FORMER official of the Christian Democrat group in the European Parliament, Mr Wolf Dieter Yorck von Wartenburg, won a place in legal history yesterday when the European Court of First Instance delivered its maiden judgment in his favour.

BA to sue bomb hoax passengers

British Airways is to sue two passengers who, after a car to Geneva airport had broken down, tried to delay their flight to London by telling the airport there was a bomb on their aircraft.

Without some form of agreement between the party and the opposition which is just as divided as the BCP, there is every likelihood that the party will break up, popular scepticism about the party will increase and industrial unrest will continue.

Last week, workers at 17 of the country's mines went on strike, demanding retirement at the age of 45 and that young people should not be sent to work in the uranium mines.

Mladenov: struggling to deal with political crisis

wrote in the party's daily newspaper that 47 per cent of food items and more than 60 per cent of goods other than food were in short supply.

The same meeting would also, the ministers hoped, make proposals on streamlining production. Current Airbus models are assembled in Toulouse and customised in Hamburg.

Europe warned on biotechnology

Seven large European companies - Ferruzzi, Hoechst, ICI, Monsanto, Rhône-Poulenc, Sanofi and Unilever - have warned that Europe is falling behind Japan and the US in the development of biotechnology.

Airbus faces \$180m bill 'from BAe strike'

By Peter Bruce in Madrid and Paul Abrahams in London

THE strike at British Aerospace (BAe) has cost the Airbus consortium some \$180m, with production delays running at three months, said Mr Michel Delebarre, the French Transport Minister, yesterday.

Mr Aranzandi also announced that the ministers concerned planned to meet in Paris in three weeks' time with the European Community's external relations commissioner, Mr Frans Andriessen. They will try to reach a common position from which to meet US complaints that subsidies to Airbus Industries are distorting the world aircraft market.

Dublin preaches revival to doubting congregation

The economy is booming, says the Government; the population is not so sure, writes Kieran Cooke

AN IRISH economic revival has been long awaited. According to a powerful lobby of Dublin economists, it has now arrived.

At the same time the economy has grown by an average annual rate of 4 per cent since 1987. Exports are running at record levels, up from £10bn in 1987 to an estimated £14.3bn last year.

Though Ireland has the highest birth rate in Europe, its population is still falling. There is also a question-mark over just how well founded is the Irish economic revival.

While some foreign companies have become firmly established in Ireland, others are rationalising operations and moving closer to larger markets.

The Irish national debt, at £25bn, continues to act as a serious impediment to development. Debt servicing charges alone last year were more than £22bn, or £240 per week for every worker in the country.

The present Government forecasts continuing growth. Boom or bust, with a streak of politics and panic, of planning, have been features of Irish life over the years. It will take time before the majority of the population is convinced that better economic times have in fact arrived.

Travel mayhem for French commuters

French commuters faced chaos yesterday, with train strikes, blocked roads, bad weather and no news service to tell them how to get to work, Reuters reports.

A strike in the Paris area halted two out of three suburban trains and a 36-hour national stoppage called to press for wage rises and job security was due to start later in the day.

Last year Exchequer borrowing was £27bn (€45bn), well down on a 1988 budget forecast of £1.055bn. The gap between government spending and revenues was more than £2bn in early 1987. This has now been pruned back to just under £220m.

Added to this optimistic picture is the boost that nearly £2bn of EC structural funds is likely to give the economy. The money will form part of an £2bn three-year development programme, described as the largest single such programme in the history of the state, which is aimed at improving the country's infrastructure in preparation for the single European market.

However, Mr Reynolds will also have to grapple with the other, less than happy, aspects of the Irish economy. Top of this list comes unemployment, which at 17 per cent is twice the EC average.

There are indications that Mr Reynolds might move against some of the more generous tax breaks given to foreign companies in today's budget. But he only has limited room for manoeuvre, not wishing to blunt Ireland's ability to attract further inward investment.

The present Government has been successful in holding together a broad consensus of wage and productivity agreements with unions and other interested parties. But the Government still has to deliver on promises to increase employment and reduce taxes, among the highest in the EC.

FINANCIAL TIMES Published by the Financial Times (Europe) Ltd, 1, Bank Street, London EC2A 4PU. Telephone 067-279600; Fax 067-272777; Telex 416193. Registered office: 1, Bank Street, London EC2A 4PU. Editor: Sir Geoffrey Owen, Financial Times, 1, Bank Street, London EC2A 4PU. Circulation: 1,000,000. Price: 50p. Postmaster: Please send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022. Second-class postage paid at New York, NY, and at additional mailing offices. POSTMASTER: Send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022. Copyright © 1990 by Financial Times (Europe) Ltd. Printed in Great Britain. Telephone (33) 13 44 41. Fax (33) 933335.